



# ANNUAL STATEMENT

For the Year Ended December 31, 2017  
of the Condition and Affairs of the

## Blue Care Network of Michigan

NAIC Group Code.....572, 572 (Current Period) (Prior Period)	NAIC Company Code..... 95610	Employer's ID Number..... 38-2359234
Organized under the Laws of MI	State of Domicile or Port of Entry MI	Country of Domicile US
Licensed as Business Type.....Health Maintenance Organization	Is HMO Federally Qualified? Yes [ ] No [ X ]	
Incorporated/Organized..... May 6, 1981	Commenced Business..... May 13, 1981	
Statutory Home Office	20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076 (Street and Number) (City or Town, State, Country and Zip Code)	248-799-6400 (Area Code) (Telephone Number)
Mail Address	20500 Civic Center Drive MC C455..... Southfield ..... MI ..... US .... 48076 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	20500 Civic Center Drive..... Southfield ..... MI ..... US .... 48076 (Street and Number) (City or Town, State, Country and Zip Code)	248-799-6898 (Area Code) (Telephone Number)
Internet Web Site Address	www.BCBSM.com	
Statutory Statement Contact	Jill Angela Fiddes (Name) jfiddes@bcbsm.com (E-Mail Address)	248-799-6898 (Area Code) (Telephone Number) (Extension) 844-852-7151 (Fax Number)

### OFFICERS

Name	Title	Name	Title
1. Tiffany Antonette Albert	President & Chief Executive Officer	2. Sheela Rao Manyam	Secretary
3. James Peter Kallas	Vice President of Finance & Treasurer	4. Marc Darryl Keshishian MD	Chief Medical Officer

### OTHER

### DIRECTORS OR TRUSTEES

Tiffany Antonette Albert	Julie Anne Angott	Mark Robert Bartlett	William Harrison Black
David Bing	Kenneth Ray Dallafor	James Robert Dietz	Shauna Ryder Diggs MD
Sarah Winston Doyle	Janet Louise Harden	Valeriah Ann Holmon	Robert Paul Kelch MD
Melvin Lyle Larsen	Paula Jean Manderfield	Gregory Alan Sudderth	Diana Lynn Watson
Mary Ann Weaver			

State of..... Michigan  
County of..... Oakland

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Tiffany Antonette Albert	(Signature) Sheela Rao Manyam	(Signature) James Peter Kallas
1. (Printed Name) President & Chief Executive Officer	2. (Printed Name) Secretary	3. (Printed Name) Vice President of Finance & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me	a. Is this an original filing?	Yes [ X ] No [ ]
This _____ day of _____ 2018	b. If no	1. State the amendment number _____
		2. Date filed _____
		3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	1,110,715,772		1,110,715,772	925,078,331
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	1,842,519
2.2 Common stocks.....	267,545,231		267,545,231	178,865,436
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....3,418,965, Schedule E-Part 1), cash equivalents (\$.....161,890,658, Schedule E-Part 2) and short-term investments (\$.....457,928,636, Schedule DA).....	623,238,259		623,238,259	622,316,289
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	4,114,950		4,114,950	
9. Receivables for securities.....			0	14,602
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	2,005,614,212	0	2,005,614,212	1,728,117,177
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	12,601,292		12,601,292	10,131,748
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	12,065,381	961,479	11,103,902	35,015,501
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....15,167,019).....	15,328,352	161,333	15,167,019	10,172
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	6,353,657		6,353,657	15,812,868
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....	4,397,409		4,397,409	13,302,394
18.1 Current federal and foreign income tax recoverable and interest thereon.....	161,195		161,195	70,095
18.2 Net deferred tax asset.....	61,172		61,172	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	7,913,464	5,160,424	2,753,040	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	29,136,054	29,136,054	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	17,018,865		17,018,865	28,046,462
24. Health care (\$.....49,841,472) and other amounts receivable.....	52,231,508	2,390,036	49,841,472	33,656,741
25. Aggregate write-ins for other-than-invested assets.....	2,928,617	2,928,617	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	2,165,811,178	40,737,943	2,125,073,235	1,864,163,158
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTAL (Lines 26 and 27).....	2,165,811,178	40,737,943	2,125,073,235	1,864,163,158

DETAILS OF WRITE-INS

1101. ....			0	
1102. ....			0	
1103. ....			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	2,928,617	2,928,617	0	
2502. ....			0	
2503. ....			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	2,928,617	2,928,617	0	0

Blue Care Network of Michigan  
LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....12,130,938 reinsurance ceded).....	316,052,976	10,875,194	326,928,170	348,014,430
2. Accrued medical incentive pool and bonus amounts.....	74,465,252		74,465,252	57,934,650
3. Unpaid claims adjustment expenses.....	9,930,948		9,930,948	12,152,290
4. Aggregate health policy reserves, including the liability of \$.....21,522,724 for medical loss ratio rebate per the Public Health Service Act.....	76,021,890		76,021,890	61,422,534
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserves.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	88,833,722		88,833,722	62,625,300
9. General expenses due or accrued.....	31,344,967		31,344,967	41,886,065
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	3,793,305		3,793,305	18,001,168
12. Amounts withheld or retained for the account of others.....	811,029		811,029	782,614
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....36,833 (including \$.....36,833 current).....	50,036,833		50,036,833	75,049,820
15. Amounts due to parent, subsidiaries and affiliates.....	44,792,251		44,792,251	52,285,915
16. Derivatives.....			0	
17. Payable for securities.....	14,655,550		14,655,550	
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized reinsurers and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	8,741,770		8,741,770	9,776,159
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	1,879,500	0	1,879,500	1,204,784
24. Total liabilities (Lines 1 to 23).....	721,359,993	10,875,194	732,235,187	741,135,729
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	36,829,000	0
26. Common capital stock.....	XXX	XXX	10,000	10,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	15,643,045	15,643,045
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other-than-special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	1,340,356,003	1,107,374,384
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	1,392,838,048	1,123,027,429
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	2,125,073,235	1,864,163,158

DETAILS OF WRITE-INS				
2301. Escheats.....	1,879,500		1,879,500	1,204,784
2302. ....			0	
2303. ....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above).....	1,879,500	0	1,879,500	1,204,784
2501. Reserve for ACA Fee due in 2018.....	XXX	XXX	36,829,000	
2502. ....	XXX	XXX		
2503. ....	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	XXX	XXX	36,829,000	0
3001. ....	XXX	XXX		
3002. ....	XXX	XXX		
3003. ....	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

Blue Care Network of Michigan  
STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	8,195,689	8,078,307
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	3,588,195,308	3,405,308,167
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	(7,904,075)	(6,736,819)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....	589,104	721,595
6. Aggregate write-ins for other health care related revenues.....	XXX.....	49,323	44,960
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	3,580,929,660	3,399,337,903
Hospital and Medical:			
9. Hospital/medical benefits.....	30,829,130	2,049,201,203	1,993,145,564
10. Other professional services.....	1,649,896	128,446,598	108,131,957
11. Outside referrals.....	71,951,839	71,951,839	75,811,644
12. Emergency room and out-of-area.....	4,758,822	203,569,019	191,680,061
13. Prescription drugs.....		432,765,925	444,940,613
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		83,856,951	52,784,763
16. Subtotal (Lines 9 to 15).....	109,189,687	2,969,791,535	2,866,494,602
Less:			
17. Net reinsurance recoveries.....		26,438,923	18,463,090
18. Total hospital and medical (Lines 16 minus 17).....	109,189,687	2,943,352,612	2,848,031,512
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$....77,014,067 cost containment expenses.....		134,465,249	151,081,260
21. General administrative expenses.....		311,893,885	343,174,600
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....	109,189,687	3,389,711,746	3,342,287,372
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	191,217,914	57,050,531
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		37,796,896	31,029,813
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....		12,047,770	6,197,306
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	49,844,666	37,227,119
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			(4,306,798)
29. Aggregate write-ins for other income or expenses.....	0	0	4,665,066
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	241,062,580	94,635,918
31. Federal and foreign income taxes incurred.....	XXX.....	681,900	879,811
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	240,380,680	93,756,107
DETAILS OF WRITE-INS			
0601. Other revenue.....	XXX.....	49,323	44,960
0602. ....	XXX.....		
0603. ....	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	XXX.....	49,323	44,960
0701. ....	XXX.....		
0702. ....	XXX.....		
0703. ....	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Settlement of long term liability.....			4,855,353
2902. Final settlement of sale of affiliate.....			(190,287)
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above).....	0	0	4,665,066

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	1,123,027,429	1,026,506,477
34. Net income or (loss) from Line 32.....	240,380,680	93,756,107
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	28,352,409	8,989,291
37. Change in net unrealized foreign exchange capital gain or (loss).....	1,484,164	683,752
38. Change in net deferred income tax.....	61,172	(66,095)
39. Change in nonadmitted assets.....	(467,806)	(6,842,103)
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	269,810,619	96,520,952
49. Capital and surplus end of reporting period (Line 33 plus 48).....	1,392,838,048	1,123,027,429

DETAILS OF WRITE-INS		
4701. ....		
4702. ....		
4703. ....		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above).....	0	0

Blue Care Network of Michigan  
CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	3,616,583,669	3,404,834,123
2. Net investment income.....	40,526,431	36,438,269
3. Miscellaneous income.....	638,427	766,555
4. Total (Lines 1 through 3).....	3,657,748,527	3,442,038,947
5. Benefit and loss related payments.....	2,955,943,896	2,830,963,143
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	450,576,262	506,412,923
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	773,000	737,609
10. Total (Lines 5 through 9).....	3,407,293,158	3,338,113,675
11. Net cash from operations (Line 4 minus Line 10).....	250,455,369	103,925,272
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	1,003,572,969	718,142,328
12.2 Stocks.....	44,868,248	61,789,857
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	138,696	
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	28,155	60,944
12.7 Miscellaneous proceeds.....	14,670,152	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	1,063,278,220	779,993,129
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	1,187,575,688	746,002,408
13.2 Stocks.....	95,273,425	66,868,282
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....	5,676,345	
13.6 Miscellaneous applications.....		79,015
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,288,525,458	812,949,705
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(225,247,238)	(32,956,576)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....	(25,000,000)	
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	713,839	(54,642,994)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(24,286,161)	(54,642,994)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	921,970	16,325,702
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	622,316,289	605,990,587
19.2 End of year (Line 18 plus Line 19.1).....	623,238,259	622,316,289
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 .....	.....	.....



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical).....	2,555,583,122		29,927,251	2,525,655,871
2.	Medicare supplement.....	34,832,901			34,832,901
3.	Dental only.....				0
4.	Vision only.....				0
5.	Federal employees health benefits plan.....	111,006,293		694,395	110,311,898
6.	Title XVIII - Medicare.....	921,223,389		3,828,751	917,394,638
7.	Title XIX - Medicaid.....				0
8.	Other health.....				0
9.	Health subtotal (Lines 1 through 8).....	3,622,645,705	0	34,450,397	3,588,195,308
10.	Life.....				0
11.	Property/casualty.....				0
12.	Totals (Lines 9 to 11).....	3,622,645,705	0	34,450,397	3,588,195,308



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	2,919,755,335	2,005,205,280	24,105,803			100,309,675	790,134,577			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	31,137,788	31,137,788								
1.4 Net.....	2,888,617,547	1,974,067,492	24,105,803	0	0	100,309,675	790,134,577	0	0	0
2. Paid medical incentive pools and bonuses.....	67,326,349	46,322,318				2,470,774	18,533,257			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	339,059,108	231,001,562	2,782,037			7,414,772	97,860,737			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	12,130,938	5,856,917					6,274,021			
3.4 Net.....	326,928,170	225,144,645	2,782,037	0	0	7,414,772	91,586,716	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	74,465,252	53,769,967				2,319,478	18,375,807			
6. Net healthcare receivables (a).....	17,494,837	16,016,330					1,478,507			
7. Amounts recoverable from reinsurers December 31, current year.....	6,353,657	6,353,657								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	355,385,022	257,170,485	3,037,637			7,075,271	88,101,629			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	7,370,592	7,370,592								
8.4 Net.....	348,014,430	249,799,893	3,037,637	0	0	7,075,271	88,101,629	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	57,934,650	39,524,925				1,712,830	16,696,895			
11. Amounts recoverable from reinsurers December 31, prior year.....	15,812,868	15,812,868								
12. Incurred benefits:										
12.1 Direct.....	2,885,934,584	1,963,020,027	23,850,203	0	0	100,649,176	798,415,178	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	26,438,923	20,164,902	0	0	0	0	6,274,021	0	0	0
12.4 Net.....	2,859,495,661	1,942,855,125	23,850,203	0	0	100,649,176	792,141,157	0	0	0
13. Incurred medical incentive pools and bonuses.....	83,856,951	60,567,360	0	0	0	3,077,422	20,212,169	0	0	0

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	75,683,634	45,055,392	556,734			1,483,826	28,587,682			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	75,683,634	45,055,392	556,734	0	0	1,483,826	28,587,682	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	253,669,556	176,240,252	2,225,303			5,930,946	69,273,055			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	12,130,938	5,856,917					6,274,021			
2.4 Net.....	241,538,618	170,383,335	2,225,303	0	0	5,930,946	62,999,034	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	9,705,918	9,705,918								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	9,705,918	9,705,918	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	339,059,108	231,001,562	2,782,037	0	0	7,414,772	97,860,737	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	12,130,938	5,856,917	0	0	0	0	6,274,021	0	0	0
4.4 Net.....	326,928,170	225,144,645	2,782,037	0	0	7,414,772	91,586,716	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	218,387,738	1,765,138,965	2,427,522	222,717,123	220,815,260	249,799,893
2. Medicare supplement.....	2,689,935	21,415,868	15,658	2,766,379	2,705,593	3,037,637
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....	9,901,541	90,408,134	82,997	7,331,775	9,984,538	7,075,271
6. Title XVIII - Medicare.....	86,366,038	703,768,539	828,010	90,758,706	87,194,048	88,101,629
7. Title XIX - Medicaid.....					0	
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	317,345,252	2,580,731,506	3,354,187	323,573,983	320,699,439	348,014,430
10. Healthcare receivables (a).....		52,231,508			0	34,736,671
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	64,316,461	3,009,888	5,223,336	69,241,916	69,539,797	57,934,650
13. Totals (Lines 9 - 10 + 11 + 12).....	381,661,713	2,531,509,886	8,577,523	392,815,899	390,239,236	371,212,409

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	283,765	282,806	283,286	283,257	283,265
2. 2013.....	1,871,801	2,159,864	2,162,249	2,162,253	2,162,251
3. 2014.....	XXX	2,162,239	2,532,541	2,534,340	2,534,685
4. 2015.....	XXX	XXX	2,335,930	2,708,065	2,710,394
5. 2016.....	XXX	XXX	XXX	2,486,430	2,865,412
6. 2017.....	XXX	XXX	XXX	XXX	2,583,742

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	294,911	282,806	283,291	283,257	283,265
2. 2013.....	2,178,763	2,165,917	2,162,320	2,162,254	2,162,251
3. 2014.....	XXX	2,531,650	2,537,431	2,534,475	2,534,685
4. 2015.....	XXX	XXX	2,748,424	2,714,604	2,710,464
5. 2016.....	XXX	XXX	XXX	2,885,702	2,873,919
6. 2017.....	XXX	XXX	XXX	XXX	2,976,557

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Percent (Col. 3/2)	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  Percent (Col. 5/1)	7  Claims Unpaid	8  Unpaid Claim Adjustment Expense	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  Percent (Col. 9/1)
1. 2013.....	2,594,457	2,162,251	123,070	5.7	2,285,321	88.1			2,285,321	88.1
2. 2014.....	2,971,477	2,534,685	144,927	5.7	2,679,612	90.2			2,679,612	90.2
3. 2015.....	3,237,285	2,710,394	154,668	5.7	2,865,062	88.5	70		2,865,132	88.5
4. 2016.....	3,398,572	2,865,412	147,401	5.1	3,012,813	88.6	8,508	1,393	3,022,714	88.9
5. 2017.....	3,580,292	2,583,742	117,437	4.5	2,701,179	75.4	392,816	8,538	3,102,533	86.7

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	224,162	223,668	224,202	224,191	224,198
2. 2013.....	1,343,828	1,563,295	1,564,732	1,564,805	1,564,799
3. 2014.....	XXX	1,581,530	1,863,268	1,864,775	1,864,957
4. 2015.....	XXX	XXX	1,667,914	1,940,448	1,942,583
5. 2016.....	XXX	XXX	XXX	1,749,208	2,010,827
6. 2017.....	XXX	XXX	XXX	XXX	1,765,911

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	233,504	223,668	224,204	224,191	224,198
2. 2013.....	1,578,926	1,568,165	1,564,792	1,564,806	1,564,799
3. 2014.....	XXX	1,862,917	1,866,718	1,864,909	1,864,957
4. 2015.....	XXX	XXX	1,975,155	1,945,093	1,942,648
5. 2016.....	XXX	XXX	XXX	2,033,752	2,016,961
6. 2017.....	XXX	XXX	XXX	XXX	2,038,627

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Percent (Col. 3/2)	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  Percent (Col. 5/1)	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  Percent (Col. 9/1)
1. 2013.....	1,910,309	1,564,799	102,988	6.6	1,667,787	87.3			1,667,787	87.3
2. 2014.....	2,225,700	1,864,957	121,881	6.5	1,986,838	89.3			1,986,838	89.3
3. 2015.....	2,398,223	1,942,583	127,121	6.5	2,069,704	86.3	65		2,069,769	86.3
4. 2016.....	2,439,748	2,010,827	117,046	5.8	2,127,873	87.2	6,134	970	2,134,977	87.5
5. 2017.....	2,522,839	1,765,911	89,167	5.0	1,855,078	73.5	272,715	5,904	2,133,697	84.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	2,042	2,021	2,022	2,016	2,017
2. 2013.....	14,597	16,403	16,406	16,403	16,402
3. 2014.....	XXX	16,156	18,425	18,420	18,421
4. 2015.....	XXX	XXX	19,170	21,651	21,654
5. 2016.....	XXX	XXX	XXX	20,531	23,217
6. 2017.....	XXX	XXX	XXX	XXX	21,416

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	2,064	2,021	2,023	2,016	2,017
2. 2013.....	16,572	16,407	16,407	16,403	16,402
3. 2014.....	XXX	18,383	18,439	18,420	18,421
4. 2015.....	XXX	XXX	21,844	21,668	21,654
5. 2016.....	XXX	XXX	XXX	23,552	23,233
6. 2017.....	XXX	XXX	XXX	XXX	24,182

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Percent (Col. 3/2)	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  Percent (Col. 5/1)	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  Percent (Col. 9/1)
1. 2013.....	22,905	16,402	1,071	6.5	17,473	76.3			17,473	76.3
2. 2014.....	26,963	18,421	1,199	6.5	19,620	72.8			19,620	72.8
3. 2015.....	31,179	21,654	1,347	6.2	23,001	73.8			23,001	73.8
4. 2016.....	33,764	23,217	1,327	5.7	24,544	72.7	16	11	24,571	72.8
5. 2017.....	34,894	21,416	1,179	5.5	22,595	64.8	2,766	66	25,427	72.9

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims**  
**NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	7,805	7,740	7,741	7,734	7,734
2. 2013.....	65,894	72,976	73,626	73,619	73,619
3. 2014.....	XXX	65,707	76,141	76,220	76,224
4. 2015.....	XXX	XXX	74,276	84,290	84,295
5. 2016.....	XXX	XXX	XXX	76,284	88,537
6. 2017.....	XXX	XXX	XXX	XXX	90,519

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	8,021	7,740	7,741	7,734	7,734
2. 2013.....	73,709	73,146	73,626	73,619	73,619
3. 2014.....	XXX	73,940	76,255	76,220	76,224
4. 2015.....	XXX	XXX	83,563	84,487	84,295
5. 2016.....	XXX	XXX	XXX	84,875	88,782
6. 2017.....	XXX	XXX	XXX	XXX	100,007

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Percent (Col. 3/2)	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  Percent (Col. 5/1)	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  Percent (Col. 9/1)
1. 2013.....	83,104	73,619	4,595	6.2	78,214	94.1			78,214	94.1
2. 2014.....	84,354	76,224	4,674	6.1	80,898	95.9			80,898	95.9
3. 2015.....	95,195	84,295	5,091	6.0	89,386	93.9			89,386	93.9
4. 2016.....	95,200	88,537	4,831	5.5	93,368	98.1	246	44	93,658	98.4
5. 2017.....	110,312	90,519	4,143	4.6	94,662	85.8	9,489	275	104,426	94.7



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(\$000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	49,756	49,377	49,321	49,316	49,316
2. 2013.....	447,482	507,190	507,485	507,426	507,431
3. 2014.....	XXX	498,846	574,707	574,925	575,083
4. 2015.....	XXX	XXX	574,570	661,676	661,862
5. 2016.....	XXX	XXX	XXX	640,407	742,831
6. 2017.....	XXX	XXX	XXX	XXX	705,896

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior.....	51,322	49,377	49,323	49,316	49,316
2. 2013.....	509,556	508,199	507,495	507,426	507,431
3. 2014.....	XXX	576,410	576,019	574,926	575,083
4. 2015.....	XXX	XXX	667,862	663,356	661,867
5. 2016.....	XXX	XXX	XXX	743,523	744,943
6. 2017.....	XXX	XXX	XXX	XXX	813,741

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Percent (Col. 3/2)	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  Percent (Col. 5/1)	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  Percent (Col. 9/1)
1. 2013.....	578,139	507,431	14,416	2.8	521,847	90.3			521,847	90.3
2. 2014.....	634,460	575,083	17,173	3.0	592,256	93.3			592,256	93.3
3. 2015.....	712,688	661,862	21,109	3.2	682,971	95.8	5		682,976	95.8
4. 2016.....	829,860	742,831	24,197	3.3	767,028	92.4	2,112	368	769,508	92.7
5. 2017.....	912,247	705,896	22,948	3.3	728,844	79.9	107,846	2,293	838,983	92.0

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Paid Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development of Incurred Health Claims**  
**NONE**

**Underwriting and Investment Ex. - Pt. 2C - Development Ratio Incurred Year Health Claims**  
**NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	889,925	889,344	332				249		
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0 for investment income).....	26,898,025	21,522,724					5,375,301		
5. Aggregate write-ins for other policy reserves.....	48,233,940	48,233,940	0	0	0	0	0	0	0
6. Totals (gross).....	76,021,890	70,646,008	332	0	0	0	5,375,550	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	76,021,890	70,646,008	332	0	0	0	5,375,550	0	0
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501. ACA Risk Adjustment Liability.....	48,233,940	48,233,940							
0502. ....	0								
0503. ....	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above).....	48,233,940	48,233,940	0	0	0	0	0	0	0
1101. ....	0								
1102. ....	0								
1103. ....	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

Blue Care Network of Michigan  
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....			7,688,511		7,688,511
2. Salaries, wages and other benefits.....	43,721,653	33,014,176	85,333,218	492,324	162,561,371
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			82,864,614		82,864,614
4. Legal fees and expenses.....					0
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	8,132,208	249,035	6,810,640	133,652	15,325,535
7. Traveling expenses.....	602,048	189,176	1,724,742	8,777	2,524,743
8. Marketing and advertising.....	578,431	1,202	5,458,423		6,038,056
9. Postage, express and telephone.....	845,944	1,356,074	3,490,795	1,621	5,694,434
10. Printing and office supplies.....	820,472	55,216	4,415,620	338	5,291,646
11. Occupancy, depreciation and amortization.....		65,330	5,363,162		5,428,492
12. Equipment.....			200,582		200,582
13. Cost or depreciation of EDP equipment and software.....	4,350,333	1,400,638	19,426,534	353,706	25,531,211
14. Outsourced services including EDP, claims, and other services.....	14,509,210	19,347,771	39,655,934	12,270	73,525,185
15. Boards, bureaus and association fees.....	442,886	13,724	2,872,845	16,099	3,345,554
16. Insurance, except on real estate.....	1,015	356	3,003,181		3,004,552
17. Collection and bank service charges.....				3,440,834	3,440,834
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			20,869,754		20,869,754
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			17,709,867		17,709,867
23.4 Payroll taxes.....	2,442,679	1,757,871	4,697,080		8,897,630
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	567,188	613	308,384	0	876,185
26. Total expenses incurred (Lines 1 to 25).....	77,014,067	57,451,182	311,893,885	4,459,621	(a).....450,818,755
27. Less expenses unpaid December 31, current year.....	464,252	9,466,696	31,344,967		41,275,915
28. Add expenses unpaid December 31, prior year.....	1,967,540	10,184,750	41,886,065		54,038,355
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	78,517,355	58,169,236	322,434,983	4,459,621	463,581,195

DETAILS OF WRITE-INS

2501. Other miscellaneous expenses.....	567,188	613	308,384		876,185
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above).....	567,188	613	308,384	0	876,185

(a) Includes management fees of \$.....164,157,702 to affiliates and \$.....0 to non-affiliates.

Blue Care Network of Michigan  
EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds.....	(a).....6,456,235	.....5,978,207
1.1	Bonds exempt from U.S. tax.....	(a).....	.....
1.2	Other bonds (unaffiliated).....	(a).....20,720,326	.....23,031,696
1.3	Bonds of affiliates.....	(a).....	.....
2.1	Preferred stocks (unaffiliated).....	(b).....80,334	.....72,015
2.11	Preferred stocks of affiliates.....	(b).....	.....
2.2	Common stocks (unaffiliated).....	.....4,246,434	.....4,246,434
2.21	Common stocks of affiliates.....	.....	.....
3.	Mortgage loans.....	(c).....	.....
4.	Real estate.....	(d).....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments.....	(e).....9,176,115	.....9,820,637
7.	Derivative instruments.....	(f).....	.....
8.	Other invested assets.....	.....12,182	.....12,182
9.	Aggregate write-ins for investment income.....	.....0	.....0
10.	Total gross investment income.....	.....40,691,626	.....43,161,171
11.	Investment expenses.....	.....	(g).....4,459,621
12.	Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13.	Interest expense.....	.....	(h).....904,654
14.	Depreciation on real estate and other invested assets.....	.....	(i).....0
15.	Aggregate write-ins for deductions from investment income.....	.....	.....0
16.	Total deductions (Lines 11 through 15).....	.....	.....5,364,275
17.	Net investment income (Line 10 minus Line 16).....	.....	.....37,796,896

DETAILS OF WRITE-INS

0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above).....	.....	.....0
(a)	Includes \$.....766,547 accrual of discount less \$.....5,978,613 amortization of premium and less \$.....5,937,600 paid for accrued interest on purchases.		
(b)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.		
(c)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.		
(d)	Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.		
(e)	Includes \$.....1,238,630 accrual of discount less \$.....10,218,779 amortization of premium and less \$.....4,551,559 paid for accrued interest on purchases.		
(f)	Includes \$.....0 accrual of discount less \$.....0 amortization of premium.		
(g)	Includes \$.....4,459,621 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.		
(h)	Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.		
(i)	Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. government bonds.....	.....176,589	.....176,589	.....106,300	.....
1.1	Bonds exempt from U.S. tax.....	.....	.....0	.....	.....
1.2	Other bonds (unaffiliated).....	.....9,281,339	.....(4,162,570)	.....	.....1,445,131
1.3	Bonds of affiliates.....	.....	.....0	.....	.....
2.1	Preferred stocks (unaffiliated).....	.....407,405	.....407,405	.....(768)	.....
2.11	Preferred stocks of affiliates.....	.....	.....0	.....	.....
2.2	Common stocks (unaffiliated).....	.....6,377,743	.....(60,891)	.....27,442,074	.....39,033
2.21	Common stocks of affiliates.....	.....	.....0	.....2,227,502	.....
3.	Mortgage loans.....	.....	.....0	.....	.....
4.	Real estate.....	.....	.....0	.....	.....
5.	Contract loans.....	.....	.....0	.....	.....
6.	Cash, cash equivalents and short-term investments.....	.....28,709	.....(554)	.....28,155	.....
7.	Derivative instruments.....	.....	.....0	.....	.....
8.	Other invested assets.....	.....	.....0	.....(1,422,699)	.....
9.	Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0
10.	Total capital gains (losses).....	.....16,271,785	.....(4,224,015)	.....28,352,409	.....1,484,164

DETAILS OF WRITE-INS

0901.	.....	.....	.....0	.....	.....
0902.	.....	.....	.....0	.....	.....
0903.	.....	.....	.....0	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page...	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			0
2.2 Common stocks.....			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			0
3.2 Other than first liens.....			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			0
4.2 Properties held for the production of income.....			0
4.3 Properties held for sale.....			0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....			0
9. Receivables for securities.....			0
10. Securities lending reinvested collateral assets (Schedule DL).....			0
11. Aggregate write-ins for invested assets.....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	0	0	0
13. Title plants (for Title insurers only).....			0
14. Investment income due and accrued.....			0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	961,479	1,313,692	352,213
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....	161,333	746,889	585,556
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			0
16.2 Funds held by or deposited with reinsured companies.....			0
16.3 Other amounts receivable under reinsurance contracts.....			0
17. Amounts receivable relating to uninsured plans.....			0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0
18.2 Net deferred tax asset.....			0
19. Guaranty funds receivable or on deposit.....			0
20. Electronic data processing equipment and software.....	5,160,424	7,775,553	2,615,129
21. Furniture and equipment, including health care delivery assets.....	29,136,054	26,926,594	(2,209,460)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0
23. Receivables from parent, subsidiaries and affiliates.....			0
24. Health care and other amounts receivable.....	2,390,036	1,079,930	(1,310,106)
25. Aggregate write-ins for other-than-invested assets.....	2,928,617	2,427,479	(501,138)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	40,737,943	40,270,137	(467,806)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	40,737,943	40,270,137	(467,806)

DETAILS OF WRITE-INS

1101. ....			0
1102. ....			0
1103. ....			0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. Prepaid expenses.....	2,928,617	2,427,479	(501,138)
2502. ....			0
2503. ....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	2,928,617	2,427,479	(501,138)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	669,741	695,755	684,226	682,683	689,240	8,195,689
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	669,741	695,755	684,226	682,683	689,240	8,195,689

DETAILS OF WRITE-INS

0601. ....						
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

**NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of Blue Care Network of Michigan (BCN) are presented on the basis of accounting practices required by the Michigan Department of Insurance and Financial Services (DIFS).

DIFS has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* and the related *NAIC Annual Statement Instructions* (NAIC SAP) for determining and reporting the financial condition and results of operations of an insurance company. DIFS requires the use of NAIC SAP to the extent that practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or by the DIFS *Forms and Instructions for Required Filings in Michigan* as prescribed or permitted practices.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	SSAP #	F/S Page	F/S Line #	2017	2016
<b>NET INCOME</b>					
(1) Blue Care Network of Michigan state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 240,380,680	\$ 93,756,107
(2) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(3) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>\$ 240,380,680</u>	<u>\$ 93,756,107</u>
<b>SURPLUS</b>					
(5) Blue Care Network of Michigan state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 1,392,838,048	\$ 1,123,027,429
(6) State Prescribed Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(7) State Permitted Practices that are an increase / (decrease) from NAIC SAP: None				-	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>\$ 1,392,838,048</u>	<u>\$ 1,123,027,429</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

BCN follows the accounting policies below:

- (1) Short-term investments – stated at amortized cost.
- (2) Bonds not backed by other loans – that have a NAIC designation of one or two are stated at amortized cost using the scientific interest method. Bonds with a NAIC designation of three to six are carried at the lower of amortized cost or fair market value.
- (3) Common stocks – stated at fair value, except common stock investments of uncombined subsidiaries in which BCN has an interest of 20 percent or more are carried on the equity basis.
- (4) Preferred stocks – NOT APPLICABLE



## NOTES TO FINANCIAL STATEMENTS

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- (5) Mortgage loans on real estate – NOT APPLICABLE
- (6) Loan-backed securities – stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
- (7) Investments in subsidiaries, controlled and affiliated entities – BCN records its investment in BCN Service Company (BCNSC), a wholly owned subsidiary, as common stock, using the audited GAAP equity method.
- (8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE
- (9) Derivatives – NOT APPLICABLE
- (10) Investment income in premium deficiency calculation – NOT APPLICABLE
- (11) Claims unpaid – The claims unpaid liability for incurred but unpaid and unreported claims is accrued in the period during which the services are provided and includes actuarial estimates of services performed that have not been reported to BCN by providers. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain components of its claims liabilities. Processing expense related to unpaid claims is accrued based on an estimate of cost to process such claims.
- (12) Fixed asset capitalization – The fixed asset capitalization threshold increased from \$1,000 in 2016 to \$5,000 in 2017 to support efficiencies in financial statement and external regulatory reporting.
- (13) Pharmaceutical rebate receivables – estimated based on historical rebate experience and membership.

**D. Going Concern**

Management has evaluated BCN's ability to continue as a going concern and does not have any substantial doubt about BCN's ability to continue as a going concern.

- 2. Accounting Changes and Corrections of Errors – NOT APPLICABLE
- 3. Business Combinations and Goodwill – NOT APPLICABLE
- 4. Discontinued Operations – NOT APPLICABLE
- 5. Investments
  - A. Mortgage Loans, including Mezzanine Real Estate Loans – NOT APPLICABLE
  - B. Debt Restructuring – NOT APPLICABLE
  - C. Reverse Mortgages – NOT APPLICABLE
  - D. Loan-Backed Securities
    - (1) Loan-backed securities designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are reported at amortized cost; securities that are designated medium quality, low quality, lowest quality and in or near default (NAIC designations 3 to 6, respectively) shall be reported at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker-dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.

**NOTES TO FINANCIAL STATEMENTS**

(2) During 2017, BCN recognized the following other-than-temporary impairment (OTTI) on Loan-Backed and Structured Securities.

	(1) Amortized Cost Basis Before Other- than- Temporary Impairment	(2) Other-than- Temporary Impairment Recognized in Loss	(3) Fair Value 1-2
<b>OTTI recognized 1st Quarter</b>			
a. Intent to sell	\$ -	\$ -	\$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
c. Total 1st Quarter	\$ -	\$ -	\$ -
<b>OTTI recognized 2nd Quarter</b>			
d. Intent to sell	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
f. Total 2nd Quarter	\$ -	\$ -	\$ -
<b>OTTI recognized 3rd Quarter</b>			
g. Intent to sell	\$ -	\$ -	\$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
i. Total 3rd Quarter	\$ -	\$ -	\$ -
<b>OTTI recognized 4th Quarter</b>			
j. Intent to sell	\$ -	\$ -	\$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	99,711,931	1,188,929	98,523,002
l. Total 4th Quarter	\$ 99,711,931	\$ 1,188,929	\$ 98,523,002
m. <b>Annual Aggregate Total</b>	XXX	\$ 1,188,929	XXX

(3) The table below reflects the individual securities that comprise the 2017 impairment losses for loan-backed and structured securities. These securities were impaired on the basis that it is probable that the security will be sold before the recovery occurs.

1	2	3	4	5	6	7
CUSIP	Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized Other-Than-Temporary Impairment	Amortized Cost After Other-Than Temporary Impairment	Fair Value at time of OTTI	Date of Financial Statement Where Reported
3128MJ 2D 1	\$ 13,912,213	\$ 13,778,270	\$ 133,944	\$ 13,778,270	\$ 13,778,270	12/31/2017
3128MJ 2L 3	\$ 3,168,560	\$ 3,152,417	\$ 16,143	\$ 3,152,417	\$ 3,152,417	12/31/2017
3128MJ 2M 1	\$ 8,811,515	\$ 8,780,529	\$ 30,986	\$ 8,780,529	\$ 8,780,529	12/31/2017
3128MJ 2N 9	\$ 22,668,629	\$ 22,493,072	\$ 175,557	\$ 22,493,072	\$ 22,493,072	12/31/2017
3128MJ 2T 6	\$ 16,584,664	\$ 16,426,585	\$ 158,079	\$ 16,426,585	\$ 16,426,585	12/31/2017
3128MJ 2X 7	\$ 13,942,891	\$ 13,901,364	\$ 41,527	\$ 13,901,364	\$ 13,901,364	12/31/2017
3128MJ Y6 1	\$ 15,928,231	\$ 15,393,375	\$ 534,856	\$ 15,393,375	\$ 15,393,375	12/31/2017
31307H NG 8	\$ 4,695,228	\$ 4,597,391	\$ 97,837	\$ 4,597,391	\$ 4,597,391	12/31/2017
Total	XXX	XXX	\$ 1,188,929	XXX	XXX	XXX

**NOTES TO FINANCIAL STATEMENTS**

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(4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:		
1. Less than 12 Months	\$	(628,302)
2. 12 Months or Longer	\$	(457,778)
b. The aggregate related fair value of securities with unrealized losses:		
1. Less than 12 Months	\$	116,930,346
2. 12 Months or Longer	\$	23,398,628

(5) Because BCN has determined the investments, noted in (4)b above, have not been subject to credit losses and BCN does not have the intent to sell the securities and has the ability to hold such securities, BCN does not consider these investments to be other-than-temporarily impaired.

- E. Dollar Repurchase Agreements and/or Securities Lending Transactions – NOT APPLICABLE
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing – NOT APPLICABLE
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing – NOT APPLICABLE
- H. Repurchase Agreements Transactions Accounted for as a Sale – NOT APPLICABLE
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale – NOT APPLICABLE
- J. Real Estate – NOT APPLICABLE
- K. Low-Income Housing Tax Credits (LIHTC) – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS**

L. Restricted Assets

1. Restricted Assets (Including Pledged)

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted from Prior Year	Increase / (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	0.000%
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock	4,205,500	4,205,500	-	-	4,205,500	0.194%	0.198%
j. On deposit with states	1,000,000	1,000,000	-	-	1,000,000	0.046%	0.047%
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)	58,424,486	80,233,114	(21,808,628)	-	58,424,486	2.698%	2.749%
m. Pledged as collateral not captured in other categories							
n. Other restricted assets	-	-	-	-	-	-	-
o. Total Restricted Assets	<u>\$ 63,629,986</u>	<u>\$ 85,438,614</u>	<u>\$ (21,808,628)</u>	<u>\$ -</u>	<u>\$ 63,629,986</u>	<u>2.938%</u>	<u>2.994%</u>

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contacts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) – NOT APPLICABLE
3. Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, such as Reinsurance and Derivatives, are Reported in the Aggregate) – NOT APPLICABLE
4. Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements – NOT APPLICABLE

M. Working Capital Finance Investments – NOT APPLICABLE

N. Offsetting and Netting of Assets and Liabilities – NOT APPLICABLE

O. Structured Notes – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS**

P. 5\* Securities

Investment	Number of 5* Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds - AC	1	-	\$ 162,376	\$ -	\$ 244,410	\$ -
(2) Bonds - FV	-	-	-	-	-	-
(3) LB&SS - AC	-	-	-	-	-	-
(4) LB&SS - FV	-	-	-	-	-	-
(5) Preferred Stock - AC	-	-	-	-	-	-
(6) Preferred Stock - FV	-	-	-	-	-	-
Total						
(7) (1+2+3+4+5+6)	1	-	\$ 162,376	\$ -	\$ 244,410	\$ -

AC - Amortized Cost                      FV - Fair Value

Q. Short Sales – NOT APPLICABLE

R. Prepayment Penalty and Acceleration Fees

(1) Number of CUSIPs	38
(2) Aggregate Amount of Investment Income	\$ 763,611

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE

7. Investment Income

- A. BCN non-admits investment income due and accrued if the amounts are over 90 days past due.
- B. BCN admitted all accrued investment income as of December 31, 2017 and 2016.

8. Derivative Instruments – NOT APPLICABLE

9. Income Taxes

A. Deferred Tax Assets or Deferred Tax Liabilities

The components of the net deferred tax asset / (liability) at December 31, 2017 and 2016, are as follows:

1	12/31/2017			12/31/2016			Change		
	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
a. Gross deferred tax assets	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ -	\$ -	\$ -	\$ 61,172	\$ 61,172
b. Statutory valuation allowance adjustments	-	-	-	-	-	-	-	-	-
c. Adjusted gross deferred tax assets (1(a) - 1(b))	-	61,172	61,172	-	-	-	-	61,172	61,172
d. Deferred tax assets nonadmitted	-	-	-	-	-	-	-	-	-
e. Subtotal net admitted deferred tax asset (1(c) - 1(d))	-	61,172	61,172	-	-	-	-	61,172	61,172
f. Deferred tax liabilities	-	-	-	-	-	-	-	-	-
g. Net admitted deferred tax asset / (Net deferred tax liability) (1(e) - 1(f))	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ -	\$ -	\$ -	\$ 61,172	\$ 61,172

NOTES TO FINANCIAL STATEMENTS

2	12/31/2017			12/31/2016			Change		
	(1)	(2)	(3) (Col 1+2)	(4)	(5)	(6) (Col 4+5)	(7) (Col 1-4)	(8) (Col 2-5)	(9) (Col 7+8)
<b>Admission Calculation Components SSAP No. 101</b>									
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carry backs	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ -	\$ -	\$ -	\$ 61,172	\$ 61,172
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (the lesser of 2(b)1 and 2(b)2 below )	-	-	-	-	-	-	-	-	-
1 Adjusted gross deferred tax assets expected to be realized follow ing the balance sheet date	-	61,172	61,172	-	-	-	-	61,172	61,172
2 Adjusted gross deferred tax assets allow ed per limitation threshold	xxx	xxx	61,172	xxx	xxx	-	xxx	xxx	61,172
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	-	-	-	-	-	-	-	-	-
d. Deferred tax assets admitted as the result of application of SSAP No 101.									
Total (2(a) + 2(b) + 2(c))	\$ -	\$ 61,172	\$ 61,172	\$ -	\$ -	\$ -	\$ -	\$ 61,172	\$ 61,172

Under the Federal Internal Revenue Code, ordinary losses can be carried back two years for entities taxed as nonlife insurance companies, while capital losses for entities taxed both as nonlife and life insurance companies can be carried back three years.

3		2017	2016
a.	Ratio percentage used to determine recovery period and threshold limitation amount	-	-
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	-	-

4	12/31/2017		12/31/2016		Change	
	(1)	(2)	(3)	(4)	(5) (Col 1-3)	(6) (Col 2-4)
<b>Impact of tax-planning strategies</b>						
	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
a. Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage						
1. Adjusted gross DTAs amount from note 9A1(c)	\$ -	\$ 61,172	\$ -	\$ -	\$ -	\$ 61,172
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	-	-	-	-	-	-
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	-	61,172	-	-	-	61,172
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	-	-	-	-	-	-
b. Does BCN's tax planning strategies include the use of reinsurance? Yes____ No_X____						

B. Unrecognized Deferred Tax Liabilities – NOT APPLICABLE

C. Components of Income Tax Incurred

BCN has been recognized by the Internal Revenue Service, under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under Section 501(a). BCN did not have any material uncertain tax positions as

NOTES TO FINANCIAL STATEMENTS

of December 31, 2017 or 2016. BCN recorded federal income tax incurred for unrelated business income for the years ended December 31, 2017 and 2016, respectively as follows:

	(1)	(2)	(3)
	12/31/2017	12/31/2016	(Col 1-2) Change
1 Current income tax:			
a. Federal	\$ 681,900	\$ 879,811	\$ (197,911)
b. Foreign	-	-	-
c. Subtotal	681,900	879,811	(197,911)
d. Federal income tax on net capital gains	-	-	-
e. Utilization of capital loss carry-forwards	-	-	-
f. Other	-	-	-
g. Federal and foreign income taxes incurred	\$ 681,900	\$ 879,811	\$ (197,911)

	(1)	(2)	(3)
	12/31/2017	12/31/2016	(Col 1-2) Change
2 Deferred Tax Assets:			
a. Ordinary			
1 Discounting of unpaid losses	\$ -	\$ -	\$ -
2 Unearned premium reserve	-	-	-
3 Policyholder reserves	-	-	-
4 Investments	-	-	-
5 Deferred acquisition costs	-	-	-
6 Policyholder dividends accrual	-	-	-
7 Fixed assets	-	-	-
8 Compensation and benefits accrual	-	-	-
9 Pension accrual	-	-	-
10 Receivables – nonadmitted	-	-	-
11 Net operating loss carry-forward	-	-	-
12 Tax credit carry-forward	-	-	-
13 Other (including items <5% of total ordinary tax assets)	-	-	-
99 Subtotal	-	-	-
b. Statutory valuation allowance adjustment	-	-	-
c. Nonadmitted	-	-	-
d. Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	-	-	-
e. Capital:			
1 Investments	-	-	-
2 Net capital loss carry-forward	61,172	-	61,172
3 Real estate	-	-	-
4 Other (including items <5% of total capital tax assets)	-	-	-
99 Subtotal	61,172	-	61,172
f. Statutory valuation allowance adjustment	-	-	-
g. Nonadmitted	-	-	-
h. Admitted capital deferred tax assets (2e99 - 2f - 2g)	\$ 61,172	\$ -	\$ 61,172
i. Admitted deferred tax assets (2d + 2h)	\$ 61,172	\$ -	\$ 61,172

	(1)	(2)	(3)
	12/31/2017	12/31/2016	(Col 1-2) Change
3 Deferred Tax Liabilities:			
a. Ordinary			
1 Investments	\$ -	\$ -	\$ -
2 Fixed assets	-	-	-
3 Deferred and uncollected premium	-	-	-
4 Policyholder reserves	-	-	-
5 Other (including items <5% of total ordinary tax liabilities)	-	-	-
99 Subtotal	-	-	-
b. Capital:			
1 Investments	-	-	-
2 Real estate	-	-	-
3 Other (including items <5% of total capital tax liabilities)	-	-	-
99 Subtotal	-	-	-
c. Deferred tax liabilities (3a99 + 3b99)	-	-	-
4 Net deferred tax assets/liabilities (2i – 3c)	\$ 61,172	\$ -	\$ 61,172

D. Significant book to tax adjustments – NOT APPLICABLE



## NOTES TO FINANCIAL STATEMENTS

- E. Loss carry forwards, credit carry forwards – At December 31, 2017, BCN had no operating loss or tax credit carry forward.

### EE. Other Disclosures

1. On December 22, 2017, H.R. 1, formally known as the Tax Cuts and Jobs Act (the Act), was enacted into law. The Act makes broad and complex changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, limitation of net operating loss carryforwards and eliminating the corporate alternative minimum tax (AMT) for tax years beginning after December 31, 2017.

Statutory accounting principles requires tax assets and liabilities to reflect the applicable tax rate in effect when the assets and liabilities are utilized. As such, BCN's deferred tax assets (DTA) have been remeasured to reflect their value at the lower corporate tax rate of 21%. For BCN's DTAs, BCN recorded a provisional decrease of \$40,781 with a corresponding net adjustment to deferred income tax expense or statutory surplus as set forth in INT 18-01. The details reflected in Note 9 C 4 above are reported net of this remeasurement. BCN's premeasurement of its deferred tax assets is subject to further refinement as additional information becomes available and further analysis is completed.

- F. Consolidated tax filing – NOT APPLICABLE

- G. Loss contingencies – NOT APPLICABLE

BCN believes that any income tax liability for uncertain tax positions will not significantly increase or decrease within the next twelve months.

### 10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A. On a routine basis, BCN conducts business transactions with its parent, Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBSM), and affiliates: Blue Care of Michigan, Inc. (BCMI), Woodward Straits Insurance Company (WSIC), Tessellate, LLC and COBX CO., subsidiaries of BCBSM; Accident Fund Insurance Company of America (AFICA), a subsidiary of a BCBSM wholly owned affiliate, Accident Fund Holdings, Inc. (AFHI); LifeSecure Insurance Company (LifeSecure), a subsidiary of a BCBSM wholly owned affiliate, LifeSecure Holdings Corporation (LSH Corp); BCBSM Foundation, a subsidiary of BCMI; BCN Service Company (BCNSC), a subsidiary of BCN; Blue Cross Complete of Michigan LLC (BCC LLC), owned by BCBSM through a joint venture; and AmeriHealth Caritas Health Plan (ACHP), owned by BCBSM through a joint venture.

- B. Transactions with BCBSM include payments for health benefit coverage; processing and payment of certain claims; underpayments and/or overpayments due to and from hospitals; management, administrative and professional services; assigned employee salaries and related benefits; building rent; purchased services including agent fees; and reinsurance. Transactions with affiliates include funds collected on another's behalf; capitation payments; management, administrative and professional services; workers' compensation coverage; malpractice liability coverage; insolvency coverage; reinsurance coverage and reduced deductibles for property, general liability, automobile, and fidelity insurance coverage.

Administrative support fees incurred from BCBSM were allocated to the statutory administrative expense categories of cost containment, other claims adjustment, general administrative and investment expenses, based on BCBSM's statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on the BCBSM's expense detail.

- C. For the years ended December 31, 2017 and 2016, \$2,098,666,332 and \$1,958,770,430, respectively, were billed from BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

For the years ended December 31, 2017 and 2016, \$515,470,025 and \$463,804,856, respectively, were billed to BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCNSC.

- D. Except for reinsurance ceded and ceded reinsurance premiums payable, all related-party receivable and payable balances are classified as either claims unpaid or amounts due to or receivables from parent, subsidiaries, and affiliates.

As of December 31, 2017 and 2016, BCN had \$17,018,865 and \$28,046,462, respectively, in related party receivables. The majority of these balances were related to BCBSM.

As of December 31, 2017 and 2016, BCN had \$49,149,743 and \$53,999,509, respectively, in related party payables. The majority of these balances were related to BCBSM.

Effective in 2009, in exchange for assuming the unfunded postretirement obligation, BCN and BCBSM executed an intercompany transfer agreement, whereby BCN will repay the obligation assumed by BCBSM with annual installments over a 20-year term. BCN's payments to reduce this obligation and the balance due are included in the amounts reflected in the operating activities above. On June 22, 2016, the Michigan Department of Insurance and Financial Services granted BCN and BCBSM non-disapproval to amend the intercompany transfer agreement whereby BCN shall make a full and complete payment for the remaining obligation to BCBSM. On



**NOTES TO FINANCIAL STATEMENTS**

June 29, 2016, BCN paid \$42,043,955 to satisfy the \$46,899,308 remaining obligation. BCN reported \$4,855,353 of other income for the settlement of the long term liability.

- E. Affiliate Guarantees – NOT APPLICABLE
- F. BCN has agreements with BCBSM and affiliates under which the parties may provide services to or receive services from BCN. The agreements provide for monthly payments.
- G. All outstanding shares of BCN are owned by BCBSM. In addition, BCN; BCNSC; BCC LLC; BCBSM; BCMI; BCBSM Foundation; WSIC; AFHI; LSH Corp and its subsidiary; and Michigan Medicaid Holdings Company, BH Assets Corporation and COBX CO., subsidiaries of BCBSM, have some common officers and board members.
- H. Ownership in upstream affiliate or parent – NOT APPLICABLE
- I. BCN performs the test of “significance of an investment to the reporting entity’s financial position and results of operations,” as required by SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities, a Replacement of SSAP No. 88*. BCN’s carrying value of its investment in BCNSC did not individually exceed 10% of BCN’s admitted assets as of December 31, 2017 and 2016.
- J. Investment impaired – NOT APPLICABLE
- K. Investment in a foreign insurance subsidiary – NOT APPLICABLE
- L. Investment in downstream noninsurance holding company – NOT APPLICABLE
- M. All SCA Investments

(1) Balance Sheet Value (Admitted and Nonadmitted) All SCAs (Except 8bi Entities)

SCA Entity	Percentage of SCA Ownership	Gross Amount	Admitted Amount	Nonadmitted Amount
a. SSAP No. 97 8a Entities				
None	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8a Entities	XXX	\$ -	\$ -	\$ -
b. SSAP No. 97 8b(ii) Entities				
None	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(ii) Entities	XXX	\$ -	\$ -	\$ -
c. SSAP No. 97 8b(iii) Entities				
BCN Service Company	100%	\$ 16,236,135	\$ 16,236,135	\$ -
Total SSAP No. 97 8b(iii) Entities	XXX	\$ 16,236,135	\$ 16,236,135	\$ -
d. SSAP No. 97 8b(iv) Entities				
None	0%	\$ -	\$ -	\$ -
Total SSAP No. 97 8b(iv) Entities	XXX	\$ -	\$ -	\$ -
e. Total SSAP No. 97 8b Entities (exception 8b(i) entities) (b+c+d)	XXX	\$ 16,236,135	\$ 16,236,135	\$ -
f. Aggregate Total (a+e)	XXX	\$ 16,236,135	\$ 16,236,135	\$ -

NOTES TO FINANCIAL STATEMENTS

(2) NAIC Filing Response Information

SCA Entity (Should be the same entities as shown in M (1) above)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount	NAIC Response Received Y/N	NAIC Disallow ed Entities Valuation Method Resubmission Required Y/N	Code**
a. SSAP No. 97 8a Entities						
None			\$ -			
Total SSAP No. 97 8a Entities	XXX	XXX	\$ -	XXX	XXX	XXX
b. SSAP No. 97 8b(ii) Entities						
None			\$ -			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
c. SSAP No. 97 8b(iii) Entities						
BCN Service Company	S2 Sub-2	5/15/2017	\$ 14,008,633	Y	N	I-Immaterial
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	\$ 14,008,633	XXX	XXX	XXX
d. SSAP No. 97 8b(iv) Entities						
None			\$ -			
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	\$ -	XXX	XXX	XXX
e. Total SSAP No. 97 8b Entities (except 8b(i) entities) (b+c+d)	XXX	XXX	\$ 14,008,633	XXX	XXX	XXX
f. Aggregate Total (a+e)	XXX	XXX	\$ 14,008,633	XXX	XXX	XXX

\* S1 – Sub-1, S2 – Sub-2 or RDF – Resubmission of Disallowed Filing

\*\* I – Immaterial or M – Material

N. Investment in insurance subsidiary, controlled and affiliated entities – NOT APPLICABLE

11. Debt

A. Debt and Holding Company Obligations – NOT APPLICABLE

B. FHLB (Federal Home Loan Bank) Agreements

(1) BCN became a member of the Federal Home Loan Bank of Indianapolis (FHLBI) on December 1, 2009, in order to obtain short-term, long-term and line-of-credit borrowing privileges. On May 30, 2012, BCN borrowed \$25,000,000 at a rate of 1.10% on a 60 month loan, which has been paid off as of December 31, 2017. On October 8, 2015, BCN borrowed \$50,000,000 at a rate of 1.56% on a 60 month loan. BCN plans to utilize any funding obtained to cover operational needs or longer-term strategic plans. Borrowings are accounted for consistent with SSAP No. 15, *Debt and Holding Company Obligations* and SSAP No. 52, *Deposit Type Contracts*. The loans are collateralized by government securities at 105% of the outstanding loan balance.

(2) FHLB Capital Stock

a. Aggregate Totals

1. Current Year

		Total
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	4,205,500
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	4,205,500
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556

NOTES TO FINANCIAL STATEMENTS

2. Prior Year-End

		Total
(a)	Membership Stock - Class A	
(b)	Membership Stock - Class B	4,205,500
(c)	Activity Stock	
(d)	Excess Stock	
(e)	Aggregate Total (a+b+c+d)	4,205,500
(f)	Actual or Estimated Borrowing Capacity as Determined by the Insurer	93,455,556

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

			Eligible for Redemption			
	1	2	3	4	5	6
Membership Stock	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	Less Than 6 Months	6 Months to Less Than 1 Year	1 to Less Than 3 Years	3 to 5 Years
1. Class A						
2. Class B	4,205,500	4,205,500				

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)

11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

(3) Collateral Pledged to FHLB

a. Amount Pledged as of Reporting Date

	1	2	3
	Fair Value	Carrying Value	Aggregate Total Borrowing
1. Current Year Total Collateral Pledged	60,655,363	58,424,486	50,000,000
2. Prior Year Total Collateral Pledged	83,914,635	80,233,114	75,000,000

11B(3)a1 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b1 (Columns 1, 2 and 3, respectively)

11B(3)a2 (Columns 1, 2 and 3) should be equal to or less than 11B(3)b2 (Columns 1, 2 and 3, respectively)

b. Maximum Amount Pledged During Reporting Period

	1	2	3
	Fair Value	Carrying Value	Amount Borrowed at Time of Maximum Collateral
1. Current Year Total Maximum Collateral Pledged	84,244,152	81,208,373	75,000,000
2. Prior Year Total Maximum Collateral Pledged	99,456,734	95,980,355	75,000,000

**NOTES TO FINANCIAL STATEMENTS**

(4) Borrowing from FHLB

a. Amount as of the Reporting Date

1. Current Year

		Total	Funding Agreements Reserves Established
(a)	Debt		XXX
(b)	Funding Agreements	50,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	50,000,000	

2. Prior Year-End

		Total	Funding Agreements Reserves Established
(a)	Debt		XXX
(b)	Funding Agreements	75,000,000	
(c)	Other		XXX
(d)	Aggregate Total (a+b+c)	75,000,000	

b. Maximum Amount During Reporting Period (Current Year)

		Total
1.	Debt	
2.	Funding Agreements	75,000,000
3.	Other	
4.	Aggregate Total (Lines 1+2+3)	75,000,000

11B(4)b4 should be equal to or greater than 11B(4)a1(d)

c. FHLB – Prepayment Obligations

		Does the company have prepayment obligations under the following arrangements (YES/NO)?
1.	Debt	N/A
2.	Funding Agreements	NO
3.	Other	N/A

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – NOT APPLICABLE
- B. Plan Asset Investment Policies and Procedures – NOT APPLICABLE
- C. Plan Asset Fair Values – NOT APPLICABLE
- D. Basis of Rate-of-Return-on-Assets Assumption – NOT APPLICABLE
- E. Defined Contribution Plans – NOT APPLICABLE
- F. Multiemployer Plans – NOT APPLICABLE
- G. Consolidated/Holding Company Plans

Some BCBSM employees have been assigned to BCN; therefore, BCBSM has the responsibility for administering and funding the pension and other postretirement benefits for these assigned employees and all BCN retirees.

The assigned employees and all BCN retirees participate in qualified and non-qualified noncontributory defined benefit pension plans, and qualified defined contribution and deferred compensation plans sponsored by BCBSM, the parent company. In addition, all BCN retirees participate in certain other postretirement benefits offered for retired employees through a plan sponsored by BCBSM. BCN has no legal obligation for benefits under these plans. BCBSM allocates amounts to BCN based on the specific attributes of the assigned employees as

**NOTES TO FINANCIAL STATEMENTS**

determined by outside actuaries. BCN's share of net expense for qualified and non-qualified pension plans, other postretirement benefit plans and qualified defined contribution plans was:

	<u>2017</u>	<u>2016</u>
Qualified and non-qualified pension plans	\$ 11,417,351	\$ 10,452,597
Other postretirement benefit plans	(1,282,614)	2,630,073
Qualified defined contribution plan	1,477,810	2,819,127

The above expenses and amounts due to BCBSM related to the retirement expenses, as of December 31, 2017 and 2016, are disclosed in Note 10.

- H. Post-employment Benefits and Compensated Absences – NOT APPLICABLE
- I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – NOT APPLICABLE

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) BCN has 500 shares of common stock authorized; and 100 shares issued and outstanding. All shares are one class and have a par value of \$100 per share.
- (2) Preferred stock – NOT APPLICABLE
- (3) Dividend restrictions – BCN's Articles of Incorporation prohibit dividends.
- (4) Dividends paid – NOT APPLICABLE
- (5) Stockholder's portion of ordinary dividends – NOT APPLICABLE
- (6) Restrictions placed on unassigned funds (surplus) – NOT APPLICABLE
- (7) The total amount of advances to surplus not repaid – NOT APPLICABLE
- (8) The amount of stock held by BCN for special purposes – NOT APPLICABLE
- (9) Special surplus fund changes – Changes in balances of special surplus funds from the prior year are due to the reserve for the 2017 Affordable Care Act (ACA) Fee payable in 2018. As a result of the adoption of INT 16-01, *ACA Section 9010 Assessment 2017 Moratorium*, BCN did not reclassify unassigned surplus to special surplus funds in 2016 for BCN's anticipated expense of the 2017 ACA fee. INT 16-01 was adopted based on the Consolidated Appropriations Act, 2016 (Public Law No: 114-113), which was signed into law on December 18, 2015. The law imposed a moratorium, in 2017, on the Annual Fee on Health Insurance Providers also known as the ACA Section 9010 assessment. Because there was no fee payable in the 2017 reporting year on premiums written during the data year of 2016, there was no segregation of special surplus in 2016.
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses was a net unrealized gain of \$43,860,542 at December 31, 2017.
- (11) Surplus notes – NOT APPLICABLE
- (12) Impact of any restatement due to quasi-reorganization – NOT APPLICABLE
- (13) Effective date(s) of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

14. Liabilities, Contingencies and Assessments

- A. Contingent Commitments – NOT APPLICABLE
- B. Assessments

The following items were recognized under SSAP No. 35R, *Guaranty Fund and Other Assessments*:

Effective January 1, 2012, through December 31, 2017, Michigan's Health Insurance Claims Assessment Act imposes an assessment on certain health care claims. BCN bears the inherent credit risk of uncollectability of the tax and therefore records the tax under the gross method, whereby claims taxes collected and paid are recorded as revenue and general administrative expense, respectively. The liability is reflected in general expenses due or accrued as of December 31, 2017 and 2016, in the amount of \$7,427,250 and \$5,109,534, respectively.

Effective October 1, 2012, through September 30, 2019, the Affordable Care Act (ACA) requires a comparative effectiveness assessment to fund health outcome and clinical effectiveness research conducted by the Patient Centered Outcomes Research Institute, a non-profit organization created by the ACA. The liability is reflected in general expenses due or accrued as of December 31, 2017 and 2016, in the amount of \$1,389,630 and \$1,305,674, respectively.

**NOTES TO FINANCIAL STATEMENTS**

- C. Gain Contingencies – NOT APPLICABLE
- D. Claims Related Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits – NOT APPLICABLE
- E. Joint and Several Liabilities – NOT APPLICABLE
- F. All Other Contingencies

BCN is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the annual statement.

In accordance with BCN's impairment policy, OTTI is presumed to exist when the market value is below cost for investments managed by outside investment managers, because BCN has delegated the decision to hold the security until recovery and cannot assert the "intent and ability to hold to recovery."

The OTTI fair-value write-down for securities was \$3,075,068 and \$2,612,840 for debt securities and \$22,644 and \$508,338 for equity securities in 2017 and 2016, respectively.

Except for the recorded impairment mentioned above, all other investment securities that temporarily have a fair market value that is below amortized cost, are not considered to be impaired.

15. Leases

A. Lessee Operating Lease

(1) Leasing arrangements

(a) Rental Expense

BCN entered into certain cancelable building leases with BCBSM. Rent expense under BCBSM leases in 2017 and 2016 was \$1,726,823 and \$1,056,700, respectively.

BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was \$4,656,997 and \$5,912,515, in 2017 and 2016, respectively.

(b) Contingent Rental Payment Basis – NOT APPLICABLE

(c) BCN's corporate office is leased through June 30, 2025. At the expiration of the lease, BCN has the option to extend the lease for three terms of five years. Additionally, a second facility is leased through June 30, 2022, with an option to extend the lease for two terms of three years.

(d) Lease Restrictions – NOT APPLICABLE

(e) Early Terminations – NOT APPLICABLE

(2) Non-cancelable leases

(a) At January 1, 2018, the minimum aggregate rental commitments are as follows:

Year Ending December 31	Operating Leases
2018	\$ 5,342,693
2019	5,401,731
2020	5,418,951
2021	5,448,470
2022	4,533,295
Thereafter	9,014,550
Total	<u>\$ 35,159,690</u>

(b) Non-cancelable subleases – NOT APPLICABLE

(3) Sale-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk – NOT APPLICABLE

**NOTES TO FINANCIAL STATEMENTS**

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables Reported as Sales – NOT APPLICABLE
- B. Transfer and Servicing of Financial Assets – NOT APPLICABLE
- C. Wash Sales
  - (1) In the course of BCN’s asset management, securities are sold and reacquired within 30 days of the sale date to enhance BCN’s yield on its investment portfolio.
  - (2) The details by NAIC designation 3 or below, or unrated, of securities sold during the year ended December 31, 2017 and reacquired within 30 days of the sale date are:

Description	NAIC Designation	Number of Transactions	Book Value of Securities Sold	Cost of Securities Repurchased	Gain (Loss)
Nuance Communications	3	6	\$ 66,202	\$ 70,920	\$ (844)
Frontier Communications Corporation	4	2	\$ 103,134	\$ 191,675	\$ (284)
Intercept Pharms Hybrid	5	9	\$ 175,321	\$ 175,561	\$ (5,869)
CHS/Community Health System	5	1	\$ 46,963	\$ 133,763	\$ (2,001)
Chesapeake Energy Corporation	5	20	\$ 268,382	\$ 261,429	\$ (4,724)
Chesapeake Energy Corporation	5	2	\$ 142,921	\$ 163,700	\$ (3,329)
Chesapeake Energy Corporation	5	2	\$ 100,025	\$ 355,663	\$ (6,025)

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

- A. ASO Plans – NOT APPLICABLE
- B. ASC Plans – NOT APPLICABLE
- C. Medicare or Similarly Structured Cost Based Reimbursement Contract
  - (1) Medicare Part D cost-based reimbursements for the years 2017 and 2016 consisted of \$3,995,955 and \$2,985,638, respectively, for coverage gap discount; \$14,311,435 and \$10,100,927, respectively, for low-income subsidy (cost sharing portion); and \$46,810,451 and \$38,927,410, respectively, for reinsurance payments.
  - (2) As of December 31, 2017 and 2016, respectively, BCN had recorded receivables from the following payors whose account balances were greater than 10% of BCN’s amounts receivable from uninsured accident and health plans or \$10,000:

	2017	2016
Centers for Medicare & Medicaid Services (CMS)	<u>\$4,397,409</u>	<u>\$13,302,393</u>
  - (3) In connection with the Medicare Part D cost-based reimbursement portion of the contract, BCN has recorded allowances and reserves for adjustment of recorded reimbursement advances in the amount of \$3,257,789 and \$219,803, as of December 31, 2017 and 2016, respectively.
  - (4) Adjustments to revenue resulting from an audit of receivables related to revenues recorded in the prior period – NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE



NOTES TO FINANCIAL STATEMENTS

20. Fair Value Measurements

A. Fair Value Disclosures

(1) Fair Value Measurements at Reporting Date

Description for each class of asset	Level 1	Level 2	Level 3	Total
Common Stocks:				
Industrial and miscellaneous	\$ 250,528,622	\$ -	\$ -	\$ 250,528,622
Mutual funds	780,474	-	-	780,474
Total Common Stocks	<u>\$ 251,309,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,309,096</u>
Cash Equivalents:				
Exempt money market mutual funds	<u>\$ 76,347,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,347,410</u>
Total Assets at Fair Value	<u>\$ 327,656,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 327,656,506</u>

(2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy – NOT APPLICABLE

(3) Transfers between levels — NOT APPLICABLE

(4) Certain assets and liabilities of BCN are measured and reported: (a) at amortized cost, (b) at values using the adjusted audited GAAP equity method, or (c) at values that approximate fair value due to their liquid or short-term nature.

(5) Derivative assets and liabilities – NOT APPLICABLE

B. Other Fair Value Information – NOT APPLICABLE

C. Fair Value of Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds:						
Special revenue and special assessment obligations	\$ 299,722,868	\$ 300,442,074	\$ -	\$ 299,722,868	\$ -	\$ -
Industrial and miscellaneous	551,288,621	542,790,857	-	551,288,621	-	-
U.S. government	264,762,566	263,985,989	-	264,762,566	-	-
Hybrid securities	277,765	277,765	-	277,765	-	-
All other governments	3,210,511	3,219,087	-	3,210,511	-	-
Total Bonds	<u>\$ 1,119,262,331</u>	<u>\$ 1,110,715,772</u>	<u>\$ -</u>	<u>\$ 1,119,262,331</u>	<u>\$ -</u>	<u>\$ -</u>
Common Stocks:						
Industrial and miscellaneous	\$ 250,528,622	\$ 250,528,622	\$ 250,528,622	\$ -	\$ -	\$ -
Mutual funds	780,474	780,474	780,474	-	-	-
Total Common Stocks	<u>\$ 251,309,096</u>	<u>\$ 251,309,096</u>	<u>\$ 251,309,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Equivalents & Short-Term Investments:						
Industrial and miscellaneous	\$ 542,951,027	\$ 543,471,884	\$ -	\$ 542,951,027	\$ -	\$ -
Exempt money market mutual funds	76,347,410	76,347,410	76,347,410	-	-	-
Total Cash Equivalents & Short-Term Investments	<u>\$ 619,298,437</u>	<u>\$ 619,819,294</u>	<u>\$ 76,347,410</u>	<u>\$ 542,951,027</u>	<u>\$ -</u>	<u>\$ -</u>

D. Not Practicable to Estimate Fair Value – NOT APPLICABLE



## NOTES TO FINANCIAL STATEMENTS

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21. Other Items

- A. Unusual or Infrequent Items – NOT APPLICABLE
- B. Troubled Debt Restructuring: Debtors – NOT APPLICABLE
- C. Other Disclosures

**Statutory Deposit** – As a condition of maintaining its certificate of authority with the State of Michigan, BCN maintains a deposit in a segregated account of \$1,000,000, which is the maximum required for a Health Maintenance Organization. These funds are intended to be used for the sole benefit of all BCN's members and only at the direction of the Director of DIFS. The funds are invested in an exempt money market mutual fund and reported in cash equivalents. Interest on these funds accrues to BCN.

**Industry Concentration** – BCN conducts business primarily within the state of Michigan. A significant portion of BCN's customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from those customers were \$284,210 and \$2,124,812 as of December 31, 2017 and 2016, respectively. In addition, BCN held investments in these customers with a total value of \$23,209,704 and \$19,360,376 as of December 31, 2017 and 2016, respectively.

**Medicare Advantage Premium Adjustment Risk** – CMS has announced their intention to audit the data used to calculate the risk scores of Medicare Advantage carriers. Such an audit, if it were to occur, could result in adjustments to BCN's risk scores and retroactive premium adjustments subsequent to the annual settlement.

- D. Business Interruption Insurance Recoveries – NOT APPLICABLE
- E. State Transferable and Non-transferable Tax Credits – NOT APPLICABLE
- F. Subprime-Mortgage-Related Risk Exposure – NOT APPLICABLE
- G. Retained Assets – NOT APPLICABLE
- H. Insurance-Linked Securities (ILS) Contracts – NOT APPLICABLE

22. Events Subsequent

Management has evaluated all events subsequent to the annual statement date of December 31, 2017, through February 28, 2018, for the annual statement submitted on February 28, 2018.

Type I – Recognized Subsequent Events:

Management has determined that there are no Type I subsequent events that require disclosure under SSAP No. 9, *Subsequent Events*.

Type II – Nonrecognized Subsequent Events:

As a result of a recent change in the Michigan Insurance Code, HMOs are permitted to directly contract with groups to administer self-funded group health plans. BCN as the sole shareholder of BCN Service Company received non-disapproval on November 2, 2017 from the State of Michigan Department of Insurance and Financial Services to receive all Administrative Service Contracts (ASCs) and all other asset and liabilities related to such ASCs from BCN Service Company. All such contracts, assets and liabilities were received by BCN effective January 1, 2018.

**Annual Fee Imposed on Health Insurance Providers** – To cover the cost of expanded coverage and benefit provisions, Section 9010 of the ACA, imposes an industry wide annual fee on health insurance carriers that provide underwritten coverage to U.S. health risks. The national amount of the fee is \$11.3 billion in 2016, and \$14.3 billion in 2018. For 2019 and beyond, the amount will be equal to the annual fee for the preceding year increased by the rate of premium growth for the preceding year.

The Consolidated Appropriations Act of 2016 suspends the assessment and collection of the health insurance fee for the 2017 calendar year. Thus, health insurance issuers were not required to pay these fees for 2017. This moratorium does not affect the filing requirement and payment of these fees for any year other than 2017 and is reinstated in 2018. The Continuing Appropriations Act of 2018, has suspended the assessment and collection for the calendar year 2019. The fee will be assessed in calendar year 2018 and years after 2019.

On January 1, 2018, BCN will be subject to an annual fee under Section 9010 of the Federal Affordable Care Act (ACA). This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2017, BCN has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2018, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2018 to be \$36,829,000. This amount is reflected in special surplus. This assessment is expected to reduce risk based capital (RBC) by approximately 33 percentage points. Reporting the ACA assessment as of December 31, 2017, would not have triggered an RBC action level.

NOTES TO FINANCIAL STATEMENTS

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	YES	
B. ACA fee assessment payable for the upcoming year	\$ 36,829,000	\$ -
C. ACA fee assessment paid	\$ -	\$ 28,581,261
D. Premium written subject to ACA 9010 assessment	\$ 3,587,812,804	\$ 3,426,353,403
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)	\$ 1,392,838,048	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)	\$ 1,356,009,048	
G. Authorized Control Level after surplus adjustment (Five-Year Historical Line 15)	\$ 112,013,748	
H. Would reporting the ACA assessment as of Dec. 31, 2017 have triggered an RBC action level (YES/NO)?	NO	

23. Reinsurance

A. Ceded Reinsurance Report

In compliance with the NAIC annual statement instructions and SSAP No. 61, *Life, Deposit-Type and Accident and Health Reinsurance*, BCN accounts for its transactions with the Woodward Straits Insurance Company (WSIC) and BCBSM as ceded reinsurance. WSIC covers claims for individual inpatient facility services that exceed the \$150,000 attachment point per member. BCBSM covers inpatient and outpatient facility claims in excess of \$200,000 per member basis for all lines of business excluding commercial individual, up to a defined accumulated attachment point of \$6.22 per member per month for Medicare Advantage and \$12.46 per member per month for remaining policies. In addition, WSIC provides insolvency coverage subject to a separate aggregate limit in the amount of \$5,000,000 for all policies combined.

Section 1 – General Interrogatories

(1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes( ) No (X)

If yes, give full details.

(2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes( ) No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ( ) No (X)

a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE

b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

If yes, give full details.

**NOTES TO FINANCIAL STATEMENTS**

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Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes ( ) No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? NOT APPLICABLE

- B. Uncollectible Reinsurance – NOT APPLICABLE
- C. Commutation of Ceded Reinsurance – NOT APPLICABLE
- D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – NOT APPLICABLE

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. BCN estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to redetermination based on an examination of contract requirements in relation to the rates charged for similarly sized subscriber groups, and the status of past applicable audits.

BCN estimates accrued retrospective premium adjustments for its Medicare Advantage health insurance contracts based on an analysis of Part C member health risk score adjustments submitted to CMS and the Part D risk corridor reconciliation related to the funds received from CMS or the beneficiary.

To the extent that BCN is subject to potential medical loss ratio (MLR) rebates, any return premium adjustment would be based on the formulas required by law.

- B. Accrued redetermination premium adjustments and return premium adjustments, as well as retrospective premiums, are recorded as adjustments to earned premium revenue.
- C. The amount of net premiums, written by BCN, that were subject to redetermination or retrospective provisions (including premiums subject to MLR rebates) was \$3,553,362,407 and \$3,372,234,780 for 2017 and 2016, respectively; representing approximately 99.0% of the total net health premiums written for both 2017 and 2016. No other premiums written by BCN were subject to redetermination or retrospective provisions.

NOTES TO FINANCIAL STATEMENTS

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act

	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	\$ -	\$ 19,207,212	\$ -	\$ 512,945	\$ 19,720,157
(2) Medical loss ratio rebates paid	-	12,630,648	-	197,091	12,827,739
(3) Medical loss ratio rebates unpaid	-	17,851,019	-	315,854	18,166,873
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	18,166,873
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	\$ -	\$ 11,758,253	\$ -	\$ 3,040,646	\$ 14,798,899
(8) Medical loss ratio rebates paid	-	11,376,518	-	66,530	11,443,048
(9) Medical loss ratio rebates unpaid	-	18,232,754	-	3,289,970	21,522,724
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	-
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	-
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	21,522,724

NOTES TO FINANCIAL STATEMENTS

E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

- (1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk-sharing provisions (YES/NO)? YES
- (2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

		AMOUNT
<b>a. Permanent ACA Risk Adjustment Program</b>		
Assets		
1.	Premium adjustments receivable due to ACA Risk Adjustment	\$ -
Liabilities		
2.	Risk adjustment user fees payable for ACA Risk Adjustment	\$ 312,064
3.	Premium adjustments payable due to ACA Risk Adjustment	\$ 48,233,940
Operations (Revenue & Expense)		
4.	Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment	\$ (84,874,987)
5.	Reported in expenses as ACA risk adjustment user fees (incurred/paid)	\$ 323,129
<b>b. Transitional ACA Reinsurance Program</b>		
Assets		
1.	Amounts recoverable for claims paid due to ACA Reinsurance	\$ 3,279,676
2.	Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	\$ -
3.	Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	\$ -
Liabilities		
4.	Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	\$ -
5.	Ceded reinsurance premiums payable due to ACA Reinsurance	\$ -
6.	Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	\$ -
Operations (Revenue & Expense)		
7.	Ceded reinsurance premiums due to ACA Reinsurance	\$ -
8.	Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	\$ 7,557,851
9.	ACA Reinsurance contributions - not reported as ceded premium	\$ -
<b>c. Temporary ACA Risk Corridors Program</b>		
Assets		
1.	Accrued retrospective premium due to ACA Risk Corridors	\$ -
Liabilities		
2.	Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	\$ -
Operations (Revenue & Expense)		
3.	Effect of ACA Risk Corridors on net premium income (paid/received)	\$ (414,753)
4.	Effect of ACA Risk Corridors on change in reserves for rate credits	\$ 436,857

NOTES TO FINANCIAL STATEMENTS

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any non-admission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
Premium adjustments 1 receivable	\$ 10,172	\$ -	\$ 10,172	\$ -	\$ -	\$ -	\$ -	\$ -	A	\$ -	\$ -
Premium adjustments 2 (payable)	-	41,538,659	-	78,189,199	-	(36,650,540)	-	36,650,540	B	-	-
Subtotal ACA Permanent Risk Adjustment 3 Program	\$ 10,172	\$ 41,538,659	\$ 10,172	\$ 78,189,199	\$ -	\$ (36,650,540)	\$ -	\$ 36,650,540		\$ -	\$ -
b. Transitional ACA Reinsurance Program											
Amounts recoverable for 1 claims paid	\$ 15,812,868	\$ -	\$ 21,531,996	\$ -	\$ (5,719,128)	\$ -	\$ 8,998,804	\$ -	C	\$ 3,279,676	\$ -
Amounts recoverable for claims unpaid (contra 2 liability)	-	1,440,954	-	-	-	1,440,954	-	(1,440,954)	D	-	-
Amounts receivable relating to uninsured 3 plans	-	-	-	-	-	-	-	-	E	-	-
Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded 4 premium	-	12,745,978	-	12,745,978	-	-	-	-	F	-	-
Ceded reinsurance premiums 5 payable	-	2,725,337	-	2,725,337	-	-	-	-	G	-	-
Liability for amounts held under uninsured 6 plans	-	-	-	-	-	-	-	-	H	-	-
Subtotal ACA Transitional Reinsurance 7 Program	\$ 15,812,868	\$ 16,912,269	\$ 21,531,996	\$ 15,471,315	\$ (5,719,128)	\$ 1,440,954	\$ 8,998,804	\$ (1,440,954)		\$ 3,279,676	\$ -
c. Temporary ACA Risk Corridors Program											
Accrued retrospective 1 premium	\$ 746,889	\$ -	\$ 170,803	\$ -	\$ 576,086	\$ -	\$ (414,753)	\$ -	I	\$ 161,333	\$ -
Reserve for rate credits or policy experience 2 rating refunds	-	436,857	-	-	-	436,857	-	(436,857)	J	-	-
Subtotal ACA Risk Corridors 3 Program	746,889	436,857	170,803	-	576,086	436,857	(414,753)	(436,857)		161,333	-
Total for ACA Risk Sharing Provisions d.	\$ 16,569,929	\$ 58,887,785	\$ 21,712,971	\$ 93,660,514	\$ (5,143,042)	\$ (34,772,729)	\$ 8,584,051	\$ 34,772,729		\$ 3,441,009	\$ -

Explanation of Adjustments

- A
- B Adjustment supplied by CMS.
- C Adjustment supplied by CMS, and reclassification from amounts recoverable for claims unpaid.
- D Amount fully estimated on paid claims. Reclassify to amounts recoverable for claims paid.
- E
- F
- G
- H
- I Represents adjustments to estimated realizable risk corridor amount from CMS. BCN non-admitted the full value of this amount in accordance with current NAIC guidance.
- J Adjustment to actuarial estimate

NOTES TO FINANCIAL STATEMENTS

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year

Risk Corridors Program Year	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments		Unsettled Balances as of the Reporting Date		
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances	Ref	Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Cumulative Balance from Prior Years (Col 2 - 4 + 8)
					5	6	7	8		9	10
	1	2	3	4	Receivable	(Payable)	Receivable	(Payable)		Receivable	(Payable)
a. 2014											
1 Accrued retrospective premium	\$ 746,889	\$ -	\$ 170,803	\$ -	\$ 576,086	\$ -	\$ (414,753)	\$ -	A	\$ 161,333	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015											
1 Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	C	\$ -	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016											
1 Accrued retrospective premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	E	\$ -	\$ -
2 Reserve for rate credits or policy experience rating refunds	-	436,857	-	-	-	436,857	-	(436,857)	F	-	-
d. Total for Risk Corridors	\$ 746,889	\$ 436,857	\$ 170,803	\$ -	\$ 576,086	\$ 436,857	\$ (414,753)	\$ (436,857)		\$ 161,333	\$ -

Explanation of Adjustments

A Represents adjustment to estimated realizable risk corridor amount from CMS. BCN non-admitted the full value of this amount in accordance with current NAIC guidance.

B

C

D

E

F Adjustment to actuarial estimate.

24E(4)d (Columns 1 through 10) should equal 24E(3)c3 (Column 1 through 10 respectively)

(5) ACA Risk Corridors Receivable as of Reporting Date

Risk Corridors Program Year	1 Estimated Amount to be Filed or Final Amount Filed with CMS	2 Non-Accrued Amounts for Impairment or Other Reasons	3 Amounts received from CMS	4 Asset Balance (Gross of Non-admissions) (1-2-3)	5 Non-admitted Amount	6 Net Admitted Asset (4-5)
a. 2014	\$ 17,193,569	\$ 14,303,403	\$ 2,728,833	\$ 161,333	\$ 161,333	\$ -
b. 2015	4,154,148	4,154,148	-	-	-	-
c. 2016	20,617,732	20,617,732	-	-	-	-
Total						
d. (a+b+c)	\$ 41,965,449	\$ 39,075,283	\$ 2,728,833	\$ 161,333	\$ 161,333	\$ -

24E(5)d (Column 4) should equal 24E(3)c1 (Column 9)

24E(5)d (Column 6) should equal 24E(2)c1

25. Change in Incurred Claims and Claim Adjustment Expenses

- A. Liabilities for unpaid claims and claims adjustment expenses as of December 31, 2016, were \$360,166,720. As of December 31, 2017, \$329,497,542 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Liabilities for unpaid claims and claims adjustment expenses remaining for prior years are now estimated to be \$3,354,187 as a result of a re-estimation of unpaid claims on comprehensive and Medicare lines of business. Therefore, there has been a \$27,314,991 favorable prior year development based on the analysis of recent loss development trends from December 31, 2016 to December 31, 2017.
- B. Significant Changes in Methodologies and Assumptions – NOT APPLICABLE

26. Intercompany Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE



NOTES TO FINANCIAL STATEMENTS

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Health care receivables include pharmacy rebates BCN receives from a third-party vendor. BCN estimates pharmacy rebate receivables based on historical rebate experience and membership. Activity for the most recent three years is summarized as follows:

Quarter		Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2017	\$	30,212,229	\$ 31,320,717	\$ -	\$ -	\$ -
9/30/2017		30,157,558	32,059,951	17,686,157	-	-
6/30/2017		29,769,365	28,787,613	26,044,989	1,281,775	-
3/31/2017		21,223,034	22,105,569	18,383,220	1,507,008	288,136
12/31/2016	\$	14,274,805	\$ 16,696,503	\$ 8,330,647	\$ 6,196,920	\$ 97,034
9/30/2016		14,381,098	15,974,407	10,266,745	3,507,685	638,293
6/30/2016		14,539,601	15,490,875	10,741,500	3,292,406	20,856
3/31/2016		14,457,338	16,069,450	9,098,779	5,087,586	221,343
12/31/2015	\$	13,924,456	\$ 13,814,154	\$ 12,013,352	\$ 2,953,143	\$ (14,527)
9/30/2015		15,162,315	15,220,264	12,312,321	2,201,223	8,917
6/30/2015		12,880,485	15,174,400	11,761,893	2,364,157	5,675
3/31/2015		12,725,060	14,059,525	9,034,570	3,754,641	49,872

B. Risk Sharing Receivables

BCN estimates risk sharing receivables based on historical claims experience modified for current trends and benefits as provided for in the risk sharing agreement. As of December 31, 2017, 2016, and 2015, BCN had risk sharing receivables of \$4,866,470, \$5,016,980, and \$5,769,008, respectively. Risk sharing receivables for the years ended December 31, 2017, 2016, and 2015 were not offset by any risk sharing payables and are recorded in healthcare and other amounts receivable. Details of the balances for the most recent three years are summarized as follows:

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received - All Other
2017	2017	\$5,016,980	\$4,750,000	\$9,766,980	\$ -	\$9,766,980	\$ -	\$ -	\$ -
	2018	XXX	\$4,866,470	XXX	\$4,866,470	XXX	XXX	XXX	XXX
2016	2016	\$5,769,008	\$4,750,000	\$10,519,008	\$ -	\$10,519,008	\$ -	\$ -	\$ -
	2017	XXX	\$5,016,980	XXX	\$5,016,980	XXX	XXX	XXX	XXX
2015	2015	\$4,820,284	\$4,750,000	\$9,570,284	\$ -	\$ 9,500,000	\$ 70,284	\$ -	\$ -
	2016	XXX	\$5,769,008	XXX	\$5,769,008	XXX	XXX	XXX	XXX

29. Participating Policies – NOT APPLICABLE

30. Premium Deficiency Reserves – NOT APPLICABLE

31. Anticipated Salvage and Subrogation – NOT APPLICABLE



GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?  
If yes, complete Schedule Y, Parts 1, 1A and 2.

Yes [X]No [ ]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X]No [ ]N/A [ ]

1.3

State regulating?  
Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X]No [ ]

2.2

If yes, date of change:

12/13/2017

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2017

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity.  
This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2013

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/15/2015

3.4

By what department or departments?  
Michigan Department of Insurance and Financial Services

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [ ]No [ ]N/A [X]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [ ]No [ ]N/A [X]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes [ ]No [X]

4.12

renewals?

Yes [ ]No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes [X]No [ ]

4.22

renewals?

Yes [X]No [ ]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ]No [X]

5.2

If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2 NAIC Company Code	3 State of Domicile
Name of Entity		

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ]No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [ ]No [X]

7.2

If yes,

7.21

State the percentage of foreign control

%

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board?

Yes [ ]No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ]No [X]

8.4

If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche LLP 200 Renaissance Center Suite 3900. Detroit, Michigan 48243-1313

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ]No [X]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ]No [X]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [X]No [ ]N/A [ ]

10.6

If the response to 10.5 is no or n/a, please explain:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Adam Dee, FSA, MAAA, Director, Enterprise Actuarial Services, Blue Cross Blue Shield of Michigan / Blue Care Network 600 Lafayette East MC 0713 Detroit, Michigan 48226
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes ☐ No ☒

12.11

Name of real estate holding company

12.12

Number of parcels involved

0

12.13

Total book/adjusted carrying value

\$0
- 12.2

If yes, provide explanation
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes ☐ No ☐
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes ☐ No ☐
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes ☐ No ☐ N/A ☐
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes ☒ No ☐

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is no, please explain:
- 14.2

Has the code of ethics for senior managers been amended?

Yes ☐ No ☒
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes ☐ No ☒
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1

Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?

Yes ☐ No ☒
- 15.2

If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount
			\$

BOARD OF DIRECTORS

16.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinator committee thereof?

Yes ☒ No ☐
17.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes ☒ No ☐
18.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes ☒ No ☐

FINANCIAL

19.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes ☐ No ☒
- 20.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11

To directors or other officers

\$0

20.12

To stockholders not officers

\$0

20.13

Trustees, supreme or grand (Fraternal only)

\$0
- 20.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21

To directors or other officers

\$0

20.22

To stockholders not officers

0

20.23

Trustees, supreme or grand (Fraternal only)

0
- 21.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reporting in the statement?

Yes ☐ No ☒
- 21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Rented from others

\$0

21.22

Borrowed from others

\$0

21.23

Leased from others

\$0

21.24

Other

\$0
- 22.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes ☒ No ☐
- 22.2

If answer is yes:

22.21

Amount paid as losses or risk adjustment

\$0

22.22

Amount paid as expenses

\$18,431,451

22.23

Other amounts paid

\$0
- 23.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☒ No ☐
- 23.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$9,920,729

INVESTMENT

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

24.01

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)?

Yes ☒ No ☐

24.02

If no, give full and complete information, relating thereto:

24.03

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).

24.04

Does the company's security lending program meet the requirements for a conforming program as outlined in the *Risk-Based Capital Instructions*?

Yes ☐ No ☐ N/A ☒

24.05

If answer to 24.04 is yes, report amount of collateral for conforming programs.

\$0

24.06

If answer to 24.04 is no, report amount of collateral for other programs

\$0

24.07

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes ☐ No ☐ N/A ☒

24.08

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes ☐ No ☐ N/A ☒

24.09.

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes ☐ No ☐ N/A ☒

24.10

For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101

Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

24.102

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$0

24.103

Total payable for securities lending reported on the liability page:

\$0

25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is current in force? (Exclude securities subject to Interrogatory 21.1 and 24.03.)

Yes ☒ No ☐

25.2

If yes, state the amount thereof at December 31 of the current year:

25.21

Subject to repurchase agreements

\$0

25.22

Subject to reverse repurchase agreements

\$0

25.23

Subject to dollar repurchase agreements

\$0

25.24

Subject to reverse dollar repurchase agreements

\$0

25.25

Placed under option agreements

\$0

25.26

Letter stock or securities restricted as sale – excluding FHLB Capital Stock

\$0

25.27

FHLB Capital Stock

\$4,205,500

25.28

On deposit with states

\$1,000,000

25.29

On deposit with other regulatory bodies

\$0

25.30

Pledged as collateral – excluding collateral pledged to an FHLB

\$0

25.31

Pledged as collateral to FHLB – including assets backing funding agreements

\$58,424,486

25.32

Other

\$0

25.3

For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount
		\$

26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes ☐ No ☒

26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes ☐ No ☐ N/A ☒

27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes ☒ No ☐

27.2

If yes, state the amount thereof at December 31 of the current year:

\$0

28.

Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes ☒ No ☐

28.01

For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank and Trust Company	801 Pennsylvania, Kansas City, MO 64105
Fidelity Investments Institutional Operations Co.	100 Magellan Way KW2B Covington, KY 41015
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing Blvd. Indianapolis, IN 46240

28.02

For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes ☐ No ☒

28.04

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05

Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts", "... handle securities"].

1 Name of Firm or Individual	2 Affiliation
Blue Cross Blue Shield of Michigan	A

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Loomis Sayles	U
---------------	---

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets?

Yes [ ☐ ] No [ ☒ X ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes [ ☐ ] No [ ☒ X ]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
	Blue Cross Blue Shield of Michigan			
105377	Loomis Sayles	04-3200030	SEC	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ☒ X ] No [ ☐ ]

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
316146 10 9	Fid Inv Gr Bond	\$ 134,205
315911 87 5	Fid Intl Index PR	\$ 226,238
315794 79 2	Fid Freedom 2015 K	\$ 155,988
315794 78 4	Fid Freedom 2020 K	\$ 101,606
315794 77 6	Fid Freedom 2025 K	\$ 92,022
315794 75 0	Fid Freedom 2035 K	\$ 20,547
411511 50 4	Harbor Cap App Inst	\$ 15,903
880196 87 8	Templeton Foreign R6	\$ 9,679
92646A 82 3	Victory Special Value I	\$ 6,463
315911 76 8	Spartan 500 Index-Inst Class	\$ 8,529
197199 80 5	Columbia Acorn USA Z	\$ 4,171
78081A 30 3	Royce PA Mutual Inst	\$ 3,750
74253Q 74 7	PIF Midcap Fund I	\$ 1,373
29.2999 TOTAL		\$ 780,474

29.3 For each mutual fund listed in the table above, complete the following schedule:

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3  Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation
Fid Inv Gr Bond	T 1 3/4 6/30/22	\$ 14,253	12/29/2017
Fid Inv Gr Bond	US Dollar	\$ 11,622	12/29/2017
Fid Inv Gr Bond	T 1 1/4 10/31/21	\$ 9,542	12/29/2017
Fid Inv Gr Bond	T 2 1/8 07/31/24	\$ 8,361	12/29/2017
Fid Inv Gr Bond	TII 0 3/8 07/15/25	\$ 4,898	12/29/2017
Fid Intl Index PR	Nestle SA-REG	\$ 4,027	12/29/2017
Fid Intl Index PR	HSBC Holdings PLC	\$ 3,122	12/29/2017
Fid Intl Index PR	Novartis AG-REG	\$ 2,828	12/29/2017
Fid Intl Index PR	Roche Holding AG	\$ 2,670	12/29/2017
Fid Intl Index PR	Toyota Motor Corp	\$ 2,511	12/29/2017
Fid Freedom 2015 K	Fidelity® Series Investment Grade Bond	\$ 42,086	12/29/2017
Fid Freedom 2015 K	Fidelity® Series Govt MMK	\$ 15,802	12/29/2017
Fid Freedom 2015 K	Fidelity® Series Emerging Markets	\$ 9,188	12/29/2017
Fid Freedom 2015 K	Fidelity® Series International Growth	\$ 8,423	12/29/2017
Fid Freedom 2015 K	Fidelity® Series International Value	\$ 8,408	12/29/2017
FIDELITY FREEDOM K 2020 FUND - FSNOX	Fidelity® Series Investment Grade Bond	\$ 24,690	12/29/2017
FIDELITY FREEDOM K 2020 FUND - FSNOX	Fidelity® Series Govt MMK	\$ 7,773	12/29/2017
FIDELITY FREEDOM K 2020 FUND - FSNOX	Fidelity® Series Emerging Markets	\$ 6,533	12/29/2017
FIDELITY FREEDOM K 2020 FUND - FSNOX	Fidelity® Series International Growth	\$ 6,127	12/29/2017
FIDELITY FREEDOM K 2020 FUND - FSNOX	Fidelity® Series International Value	\$ 6,117	12/29/2017
FIDELITY FREEDOM K 2025 FUND - FFTWX	Fidelity® Series Investment Grade Bond	\$ 19,260	12/29/2017
FIDELITY FREEDOM K 2025 FUND - FFTWX	Fidelity® Series Emerging Markets	\$ 6,350	12/29/2017
FIDELITY FREEDOM K 2025 FUND - FFTWX	Fidelity® Series International Growth	\$ 6,064	12/29/2017
FIDELITY FREEDOM K 2025 FUND - FFTWX	Fidelity® Series International Value	\$ 6,055	12/29/2017
FIDELITY FREEDOM K 2025 FUND - FFTWX	Fidelity® Series Intrinsic Opps	\$ 6,055	12/29/2017
Fid Freedom 2035 K	Fidelity® Series Intrinsic Opps	\$ 1,888	12/29/2017
Fid Freedom 2035 K	Fidelity® Series International Growth	\$ 1,835	12/29/2017
Fid Freedom 2035 K	Fidelity® Series International Value	\$ 1,833	12/29/2017

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

Fid Freedom 2035 K	Fidelity® Series Emerging Markets	\$	1,816	12/29/2017
Fid Freedom 2035 K	Fidelity® Series Growth & Income	\$	1,810	12/29/2017
Harbor Cap App Inst	Apple Inc	\$	991	12/29/2017
Harbor Cap App Inst	Amazon.com Inc	\$	743	12/29/2017
Harbor Cap App Inst	Facebook Inc-A	\$	741	12/29/2017
Harbor Cap App Inst	Microsoft Corp	\$	655	12/29/2017
Harbor Cap App Inst	Allibaba Group Holding	\$	609	12/29/2017
Templeton Foreign R6	Samsung Electronics	\$	347	12/29/2017
Templeton Foreign R6	BP PLC	\$	286	12/29/2017
Templeton Foreign R6	US Dollar	\$	261	12/29/2017
Templeton Foreign R6	Baldu Inc - Spon ADR	\$	260	12/29/2017
Templeton Foreign R6	Royal Dutch Shell	\$	260	12/29/2017
Victory Special Value I	Microsoft Corp	\$	279	12/29/2017
Victory Special Value I	Alphabet Inc-CL C	\$	274	12/29/2017
Victory Special Value I	Apple Inc	\$	246	12/29/2017
Victory Special Value I	Facebook Inc-A	\$	165	12/29/2017
Victory Special Value I	Paypal Holdings Inc	\$	155	12/29/2017
Spartan 500 Index-Inst Class	Apple Inc	\$	325	12/29/2017
Spartan 500 Index-Inst Class	Microsoft Corp	\$	245	12/29/2017
Spartan 500 Index-Inst Class	Amazon.com Inc	\$	173	12/29/2017
Spartan 500 Index-Inst Class	Facebook Inc-A	\$	155	12/29/2017
Spartan 500 Index-Inst Class	Berkshire Hathaway Inc - CL	\$	142	12/29/2017
Columbia Acorn USA Z	Encompass Health Corp	\$	84	12/29/2017
Columbia Acorn USA Z	Extended Stay America Inc	\$	74	12/29/2017
Columbia Acorn USA Z	AMN Healthcare Services Inc	\$	68	12/29/2017
Columbia Acorn USA Z	Houlihan Lokey Inc	\$	67	12/29/2017
Columbia Acorn USA Z	Dave & Buster's Entertainment	\$	65	12/29/2017
Royce PA Mutual Inst	Sun Hydraulics Corp	\$	74	12/29/2017
Royce PA Mutual Inst	Flir Systems	\$	69	12/29/2017
Royce PA Mutual Inst	Tennant Co.	\$	51	12/29/2017
Royce PA Mutual Inst	First Citizens BCSHS - CLA	\$	51	12/29/2017
Royce PA Mutual Inst	Heico Corp	\$	51	12/29/2017
PIF Midcap Fund I	Brookfield Asset Management	\$	67	12/29/2017
PIF Midcap Fund I	SBA Communications	\$	54	12/29/2017
PIF Midcap Fund I	Markel Corp	\$	47	12/29/2017
PIF Midcap Fund I	Aon PLC	\$	46	12/29/2017
PIF Midcap Fund I	Transdign Group Inc	\$	45	12/29/2017

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

		1	2	3
		Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	\$ 1,654,187,656	\$ 1,662,213,358	\$ 8,025,702
30.2	Preferred Stocks	\$ 0	\$ 0	\$ 0
30.3	Totals	\$ 1,654,187,656	\$ 1,662,213,358	\$ 8,025,702

30.4 Describe the sources or methods utilized in determining the fair values:

Custodians and Thomson Reuters are the sources for fair values.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [ X ] No [ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [ X ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes [ X ] No [ ]

32.2 If no, list exceptions:

33. By self-designating 5\*GI securities, the reporting entity is certifying the following elements for each self-designation 5\*GI security:

- a. Documentation necessary to permit a full credit analysis of the security does not exist.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5\*GI securities? Yes [ X ] No [ ]

OTHER

34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 1,538,289

34.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
American Association of Health Plans	\$ 838,384

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

	Blue Cross Blue Shield Association	\$	699,905
35.1	Amount of payments for legal expenses, if any?	\$	0
35.2	List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.		
	1 Name	2 Amount Paid	
		\$	
36.1	Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?	\$	0
36.2	List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.		
	1 Name	2 Amount Paid	
		\$	

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

1.1	Does the reporting entity have any direct Medicare Supplement Insurance in force?	Yes [ X ]	No [ ]
1.2	If yes, indicate premium earned on U.S. business only.	\$	34,893,533
1.3	What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?	\$	0
1.31	Reason for excluding:		
1.4	Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.	\$	0
1.5	Indicate total incurred claims on all Medicare Supplement insurance.	\$	23,850,203
1.6	Individual policies:		
	Most current three years:		
1.61	Total premium earned	\$	9,380,200
1.62	Total incurred claims	\$	6,808,203
1.63	Number of covered lives		4,114
	All years prior to most current three years:		
1.64	Total premium earned	\$	25,513,333
1.65	Total incurred claims	\$	17,042,000
1.66	Number of covered lives		9,117
1.7	Group policies:		
	Most current three years:		
1.71	Total premium earned	\$	0
1.72	Total incurred claims	\$	0
1.73	Number of covered lives		0
	All years prior to most current three years:		
1.74	Total premium earned	\$	0
1.75	Total incurred claims	\$	0
1.76	Number of covered lives		0
2.	Health Test:		
		1 Current Year	2 Prior Year
2.1	Premium Numerator	\$ 3,588,195,308	\$ 3,405,308,167
2.2	Premium Denominator	\$ 3,588,195,308	\$ 3,405,308,167
2.3	Premium Ratio (2.1/2.2)	100.0%	100.0%
2.4	Reserve Numerator	\$ 477,415,312	\$ 467,371,614
2.5	Reserve Denominator	\$ 477,415,312	\$ 467,371,614
2.6	Reserve Ratio (2.4/2.5)	100.0%	100.0%
3.1	Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?		Yes [ ] No [ X ]
3.2	If yes, give particulars:		
4.1	Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?		Yes [ X ] No [ ]
4.2	If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?		Yes [ ] No [ ]
5.1	Does the reporting entity have stop-loss reinsurance?		Yes [ X ] No [ ]
5.2	If no, explain:		
5.3	Maximum retained risk (see instructions)		
5.31	Comprehensive Medical	\$	150,000
5.32	Medical Only	\$	0
5.33	Medicare Supplement	\$	0
5.34	Dental and Vision	\$	0
5.35	Other Limited Benefit Plan	\$	0
5.36	Other	\$	0
6.	Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:		

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

<u>Hold harmless provisions are included in contracts with providers. BCN has stop-loss coverage through an affiliate which includes an insolvency clause. In addition, BCN holds a state-mandated cash deposit and BCN members have conversion rights to BCBSM coverage</u>																																	
7.1	Does the reporting entity set up its claim liability for provider services on a service date basis?	Yes [ X ]    No [   ]																															
7.2	If no, give details																																
8.	Provide the following information regarding participating providers:																																
8.1	Number of providers at start of reporting year	52,395																															
8.2	Number of providers at end of reporting year	54,950																															
9.1	Does the reporting entity have business subject to premium rate guarantees?	Yes [ X ]    No [   ]																															
9.2	If yes, direct premium earned:																																
9.21	Business with rate guarantees with rate guarantees between 15-36 months	\$ 16,000,000																															
9.22	Business with rate guarantees over 36 months	\$ 0																															
10.1	Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?	Yes [ X ]    No [   ]																															
10.2	If yes:																																
10.21	Maximum amount payable bonuses	74,465,252																															
10.22	Amount actually paid for year bonuses	67,326,349																															
10.23	Maximum amount payable withholds	9,705,918																															
10.24	Amount actually paid for year withholds	9,884,931																															
11.1	Is the reporting entity organized as:																																
11.12	A Medical Group/Staff Model,	Yes [   ]    No [ X ]																															
11.13	An Individual Practice Association (IPA), or,	Yes [ X ]    No [   ]																															
11.14	A Mixed Model (combination of above)?	Yes [   ]    No [ X ]																															
11.2	Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?																																
11.3	If yes, show the name of the state requiring such minimum capital and surplus. <u>Michigan</u>																																
11.4	If yes, show the amount required.	\$ 224,027,496																															
11.5	Is this amount included as part of a contingency reserve in stockholder's equity?	Yes [   ]    No [ X ]																															
11.6	If the amount is calculated, show the calculation <u>The greater of: 4% of subscription revenue: \$3,622,645,705 x 4% = \$144,905,828 or 2 times authorized control level risk-based capital: 2 x \$112,013,748 = \$224,027,496</u>																																
12.	List service areas in which reporting entity is licensed to operate:																																
<table><tr><td>1</td></tr><tr><td>Name of Service Area</td></tr><tr><td>ALCONA</td></tr><tr><td>ALGER</td></tr><tr><td>ALLEGAN</td></tr><tr><td>ALPENA</td></tr><tr><td>ANTRIM</td></tr><tr><td>ARENAC</td></tr><tr><td>BARAGA</td></tr><tr><td>BARRY</td></tr><tr><td>BAY</td></tr><tr><td>BENZIE</td></tr><tr><td>BERRIEN</td></tr><tr><td>BRANCH</td></tr><tr><td>CALHOUN</td></tr><tr><td>CASS</td></tr><tr><td>CHARLEVOIX</td></tr><tr><td>CHEBOYGAN</td></tr><tr><td>CHIPPEWA</td></tr><tr><td>CLARE</td></tr><tr><td>CLINTON</td></tr><tr><td>CRAWFORD</td></tr><tr><td>DELTA</td></tr><tr><td>DICKINSON</td></tr><tr><td>EATON</td></tr><tr><td>EMMET</td></tr><tr><td>GENESEE</td></tr><tr><td>GLADWIN</td></tr><tr><td>GOGEBIC</td></tr><tr><td>GRAND TRAVERSE</td></tr><tr><td>GRATIOT</td></tr></table>			1	Name of Service Area	ALCONA	ALGER	ALLEGAN	ALPENA	ANTRIM	ARENAC	BARAGA	BARRY	BAY	BENZIE	BERRIEN	BRANCH	CALHOUN	CASS	CHARLEVOIX	CHEBOYGAN	CHIPPEWA	CLARE	CLINTON	CRAWFORD	DELTA	DICKINSON	EATON	EMMET	GENESEE	GLADWIN	GOGEBIC	GRAND TRAVERSE	GRATIOT
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GRATIOT																																	



GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

HILLSDALE
HOUGHTON
HURON
INGHAM
IONIA
IOSCO
IRON
ISABELLA
JACKSON
KALAMAZOO
KALKASKA
KENT
KEWEENAW
LAKE
LAPEER
LEELANAU
LENAWEE
LIVINGSTON
LUCE
MACKINAC
MACOMB
MANISTEE
MARQUETTE
MASON
MECOSTA
MENOMINEE
MIDLAND
MISSAUKEE
MONROE
MONTCALM
MONTMORENCY
MUSKEGON
NEWAYGO
OAKLAND
OCEANA
OGEMAW
ONTONAGON
OSCEOLA
OSCODA
OTSEGO
OTTAWA
PRESQUE ISLE
ROSCOMMON
SAGINAW
SANILAC
SCHOOLCRAFT
SHIAWASSEE
ST. CLAIR
ST. JOSEPH
TUSCOLA
VAN BUREN
WASHTENAW
WAYNE
WEXFORD

- 13.1

Do you act as a custodian for health savings accounts?

Yes [ ☐ ]    No [ ☐ X ]
- 13.2

If yes, please provide the amount of custodial funds held as of the reporting date.

\$ 

0
- 13.3

Do you act as an administrator for health savings accounts?

Yes [ ☐ ]    No [ ☐ X ]
- 13.4

If yes, please provide the balance of the funds administered as of the reporting date.

\$ 

0
- 14.1

Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers?

Yes [ ☒ X ]    No [ ☐ ]    N/A [ ☐ ]
- 14.2

If the answer to 14.1 is yes, please provide the following:

1 Company Name	2 NAIC Company Code	3 Domiciliary Jurisdiction	4 Reserve Credit	Assets Supporting Reserve Credit		
				5 Letters of Credit	6 Trust Agreements	7 Other
Woodward Straits Insurance Company	15649	MI	\$	\$	\$	\$

15.

Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded).
- 15.1

Direct Premium Written

\$ 

0
- 15.2

Total Incurred Claims

\$ 

0
- 15.3

Number of Covered Lives

0

\*Ordinary Life Insurance Includes

GENERAL INTERROGATORIES

PART 2 – HEALTH INTERROGATORIES

Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary guarantee)
Universal Life (with or without secondary guarantee)
Variable Universal Life (with or without secondary guarantee)

Blue Care Network of Michigan  
FIVE-YEAR HISTORICAL DATA

	1 2017	2 2016	3 2015	4 2014	5 2013
<b>Balance Sheet Items (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 28).....	2,125,073,235	1,864,163,158	1,847,797,036	1,799,329,626	1,593,598,932
2. Total liabilities (Page 3, Line 24).....	732,235,187	741,135,729	821,290,559	785,840,061	593,839,867
3. Statutory minimum capital and surplus requirement.....	224,027,496	213,029,712	206,314,150	205,292,068	175,581,436
4. Total capital and surplus (Page 3, Line 33).....	1,392,838,048	1,123,027,429	1,026,506,477	1,013,489,565	999,759,065
<b>Income Statement Items (Page 4)</b>					
5. Total revenues (Line 8).....	3,580,929,660	3,399,337,903	3,252,461,237	2,992,075,511	2,613,280,220
6. Total medical and hospital expenses (Line 18).....	2,943,352,612	2,848,031,512	2,738,379,632	2,506,138,058	2,155,047,148
7. Claims adjustment expenses (Line 20).....	134,465,249	151,081,260	157,147,960	143,107,859	120,547,583
8. Total administrative expenses (Line 21).....	311,893,885	343,174,600	358,782,411	354,128,060	238,791,111
9. Net underwriting gain (loss) (Line 24).....	191,217,914	57,050,531	(1,848,766)	(11,298,466)	98,894,378
10. Net investment gain (loss) (Line 27).....	49,844,666	37,227,119	22,388,228	29,428,352	20,976,916
11. Total other income (Lines 28 plus 29).....		358,268	(1,650,363)	(267,722)	(608,338)
12. Net income or (loss) (Line 32).....	240,380,680	93,756,107	18,045,229	17,316,778	118,578,532
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11).....	250,455,369	103,925,272	31,904,085	184,130,593	87,493,060
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	1,392,838,048	1,123,027,429	1,026,506,477	1,013,489,565	999,759,065
15. Authorized control level risk-based capital.....	112,013,748	106,514,856	103,157,075	102,646,034	87,790,718
<b>Enrollment (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7).....	689,240	669,741	670,254	652,857	532,482
17. Total member months (Column 6, Line 7).....	8,195,689	8,078,307	8,025,758	7,489,166	6,313,762
<b>Operating Percentage (Page 4)</b> <b>(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0</b>					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).....	82.2	83.8	84.6	84.3	83.0
20. Cost containment expenses.....	2.2	2.2	2.6	2.5	2.1
21. Other claims adjustment expenses.....	1.6	2.2	2.3	2.3	2.5
22. Total underwriting deductions (Line 23).....	94.7	98.3	100.5	101.0	96.8
23. Total underwriting gain (loss) (Line 24).....	5.3	1.7	(0.1)	(0.4)	3.8
<b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>					
24. Total claims incurred for prior years (Line 13, Col. 5).....	390,239,236	380,583,171	378,061,458	293,154,704	294,912,584
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)].....	371,212,409	383,517,990	354,234,633	297,438,486	297,958,871
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	16,236,135	14,008,633	14,838,172	15,023,649	25,422,160
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....				161,019,373	120,671,665
32. Total of above Lines 26 to 31.....	16,236,135	14,008,633	14,838,172	176,043,022	146,093,825
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [   ]    No [   ]

If no, please explain:

Blue Care Network of Michigan  
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama.....AL	N							.....0	
2.	Alaska.....AK	N							.....0	
3.	Arizona.....AZ	N							.....0	
4.	Arkansas.....AR	N							.....0	
5.	California.....CA	N							.....0	
6.	Colorado.....CO	N							.....0	
7.	Connecticut.....CT	N							.....0	
8.	Delaware.....DE	N							.....0	
9.	District of Columbia.....DC	N							.....0	
10.	Florida.....FL	N							.....0	
11.	Georgia.....GA	N							.....0	
12.	Hawaii.....HI	N							.....0	
13.	Idaho.....ID	N							.....0	
14.	Illinois.....IL	N							.....0	
15.	Indiana.....IN	N							.....0	
16.	Iowa.....IA	N							.....0	
17.	Kansas.....KS	N							.....0	
18.	Kentucky.....KY	N							.....0	
19.	Louisiana.....LA	N							.....0	
20.	Maine.....ME	N							.....0	
21.	Maryland.....MD	N							.....0	
22.	Massachusetts.....MA	N							.....0	
23.	Michigan.....MI	L	2,583,064,183	...921,223,389		.....111,006,293			...3,615,293,865	
24.	Minnesota.....MN	N							.....0	
25.	Mississippi.....MS	N							.....0	
26.	Missouri.....MO	N							.....0	
27.	Montana.....MT	N							.....0	
28.	Nebraska.....NE	N							.....0	
29.	Nevada.....NV	N							.....0	
30.	New Hampshire.....NH	N							.....0	
31.	New Jersey.....NJ	N							.....0	
32.	New Mexico.....NM	N							.....0	
33.	New York.....NY	N							.....0	
34.	North Carolina.....NC	N							.....0	
35.	North Dakota.....ND	N							.....0	
36.	Ohio.....OH	N							.....0	
37.	Oklahoma.....OK	N							.....0	
38.	Oregon.....OR	N							.....0	
39.	Pennsylvania.....PA	N							.....0	
40.	Rhode Island.....RI	N							.....0	
41.	South Carolina.....SC	N							.....0	
42.	South Dakota.....SD	N							.....0	
43.	Tennessee.....TN	N							.....0	
44.	Texas.....TX	N							.....0	
45.	Utah.....UT	N							.....0	
46.	Vermont.....VT	N							.....0	
47.	Virginia.....VA	N							.....0	
48.	Washington.....WA	N							.....0	
49.	West Virginia.....WV	N							.....0	
50.	Wisconsin.....WI	N							.....0	
51.	Wyoming.....WY	N							.....0	
52.	American Samoa.....AS	N							.....0	
53.	Guam.....GU	N							.....0	
54.	Puerto Rico.....PR	N							.....0	
55.	U.S. Virgin Islands.....VI	N							.....0	
56.	Northern Mariana Islands.....MP	N							.....0	
57.	Canada.....CAN	N							.....0	
58.	Aggregate Other alien.....OT	XXX	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
59.	Subtotal.....	XXX	2,583,064,183	...921,223,389	.....0	.....111,006,293	.....0	.....0	...3,615,293,865	.....0
60.	Reporting entity contributions for Employee Benefit Plans.....	XXX	.....7,351,840	...921,223,389					.....7,351,840	
61.	Total (Direct Business).....	(a).....1	2,590,416,023	...921,223,389	.....0	.....111,006,293	.....0	.....0	...3,622,645,705	.....0
DETAILS OF WRITE-INS										
58001. ....									.....0	
58002. ....									.....0	
58003. ....									.....0	
58998. Summary of remaining write-ins for line 58.....			.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
58999. Total (Lines 58001 through 58003 + 58998)....			.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;  
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.  
**Explanation of basis of allocation by states, premiums by state, etc.**  
By Situs of Contract

(a) Insert the number of L responses except for Canada and Other Alien.

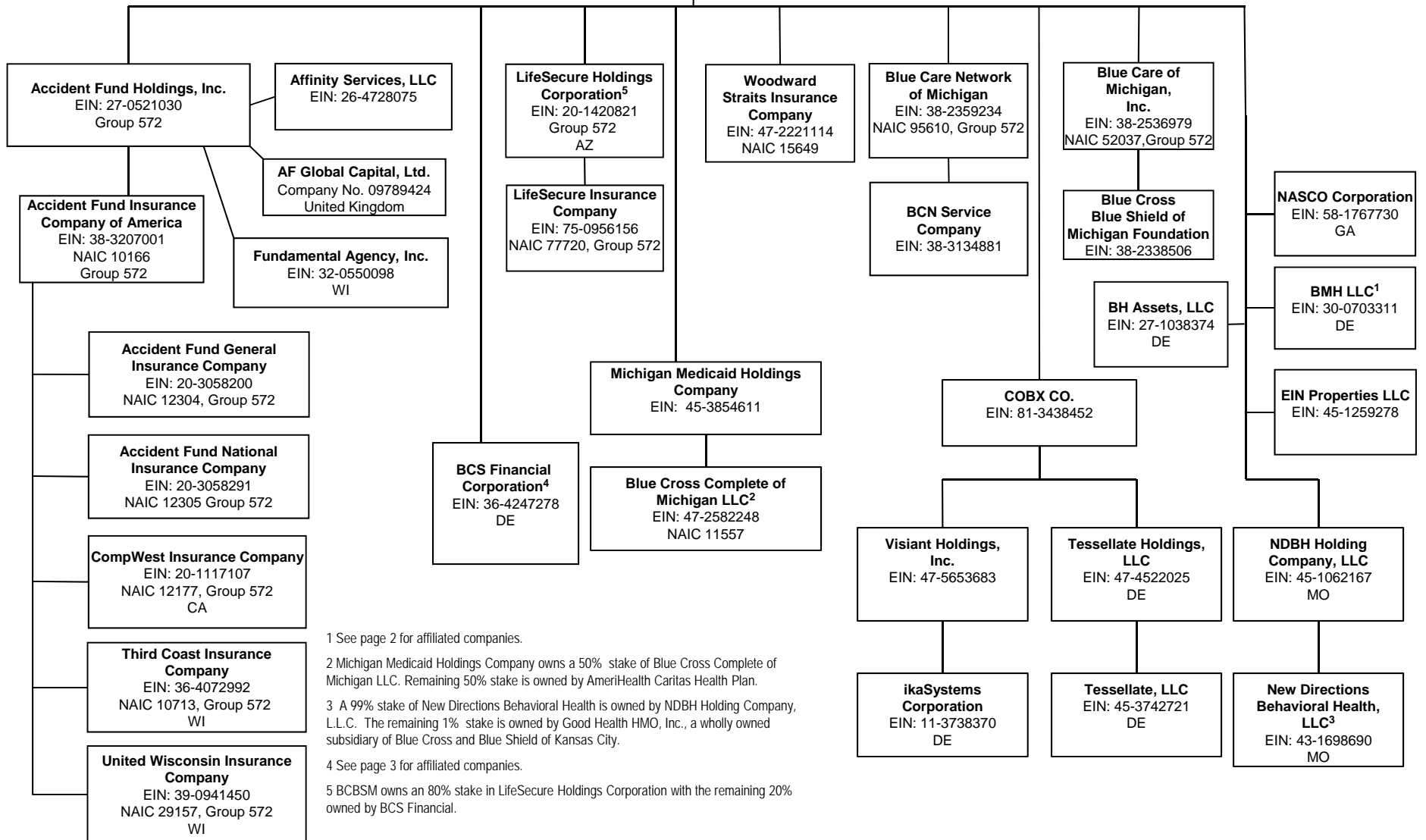
## SUBSIDIARY &amp; AFFILIATE ORGANIZATION CHART



A nonprofit corporation and independent licensee  
of the Blue Cross and Blue Shield Association

**BLUE CROSS BLUE SHIELD OF MICHIGAN  
MUTUAL INSURANCE COMPANY**

EIN: 38-2069753  
NAIC 54291, Group 572



1 See page 2 for affiliated companies.

2 Michigan Medicaid Holdings Company owns a 50% stake of Blue Cross Complete of Michigan LLC. Remaining 50% stake is owned by AmeriHealth Caritas Health Plan.

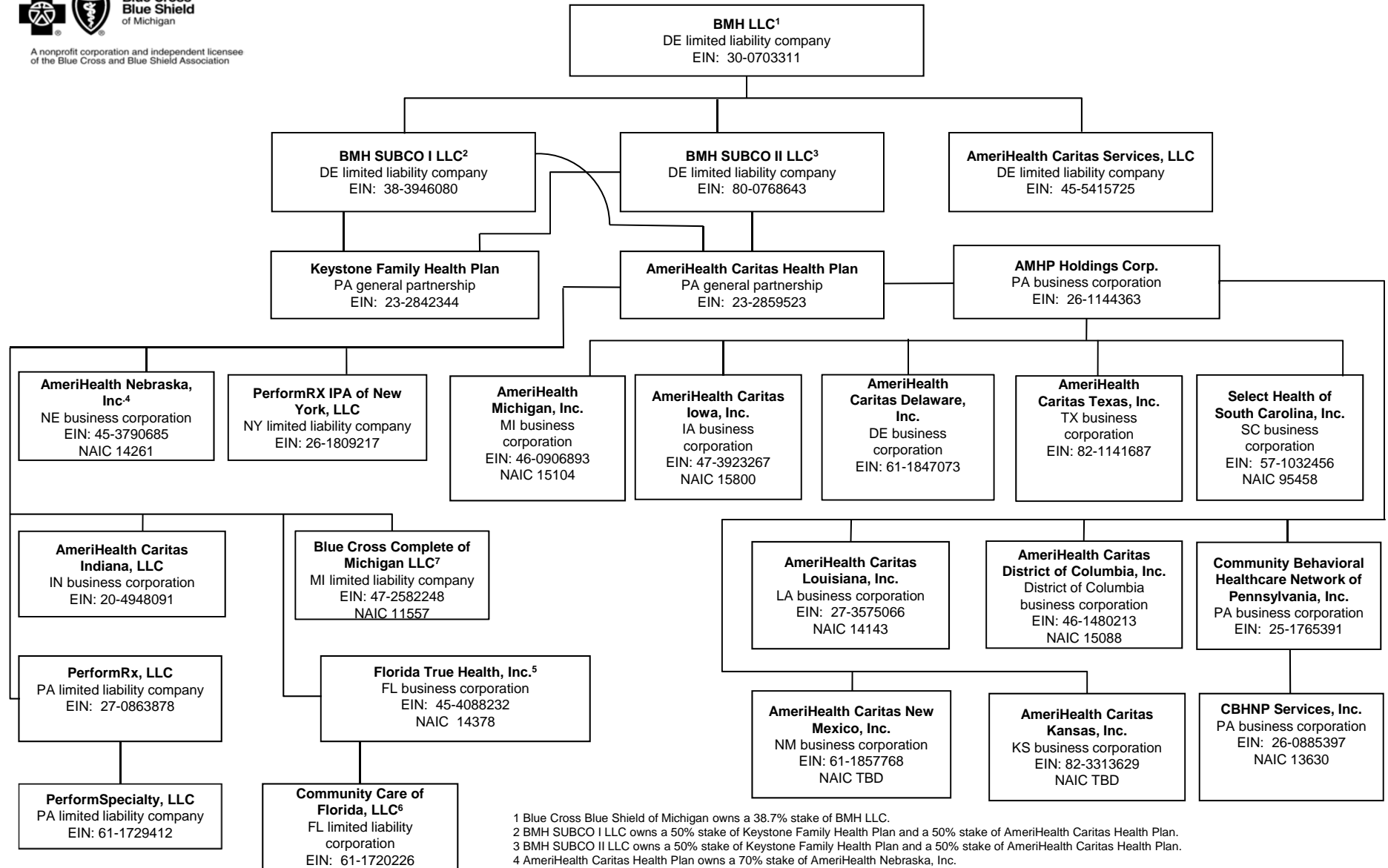
3 A 99% stake of New Directions Behavioral Health is owned by NDBH Holding Company, L.L.C. The remaining 1% stake is owned by Good Health HMO, Inc., a wholly owned subsidiary of Blue Cross and Blue Shield of Kansas City.

4 See page 3 for affiliated companies.

5 BCBSM owns an 80% stake in LifeSecure Holdings Corporation with the remaining 20% owned by BCS Financial.

All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.

## SUBSIDIARY &amp; AFFILIATE ORGANIZATION CHART



1 Blue Cross Blue Shield of Michigan owns a 38.7% stake of BMH LLC.

2 BMH SUBCO I LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health Plan.

3 BMH SUBCO II LLC owns a 50% stake of Keystone Family Health Plan and a 50% stake of AmeriHealth Caritas Health Plan.

4 AmeriHealth Caritas Health Plan owns a 70% stake of AmeriHealth Nebraska, Inc.

5 AmeriHealth Caritas Health Plan owns a 50% stake of Florida True Health, Inc.

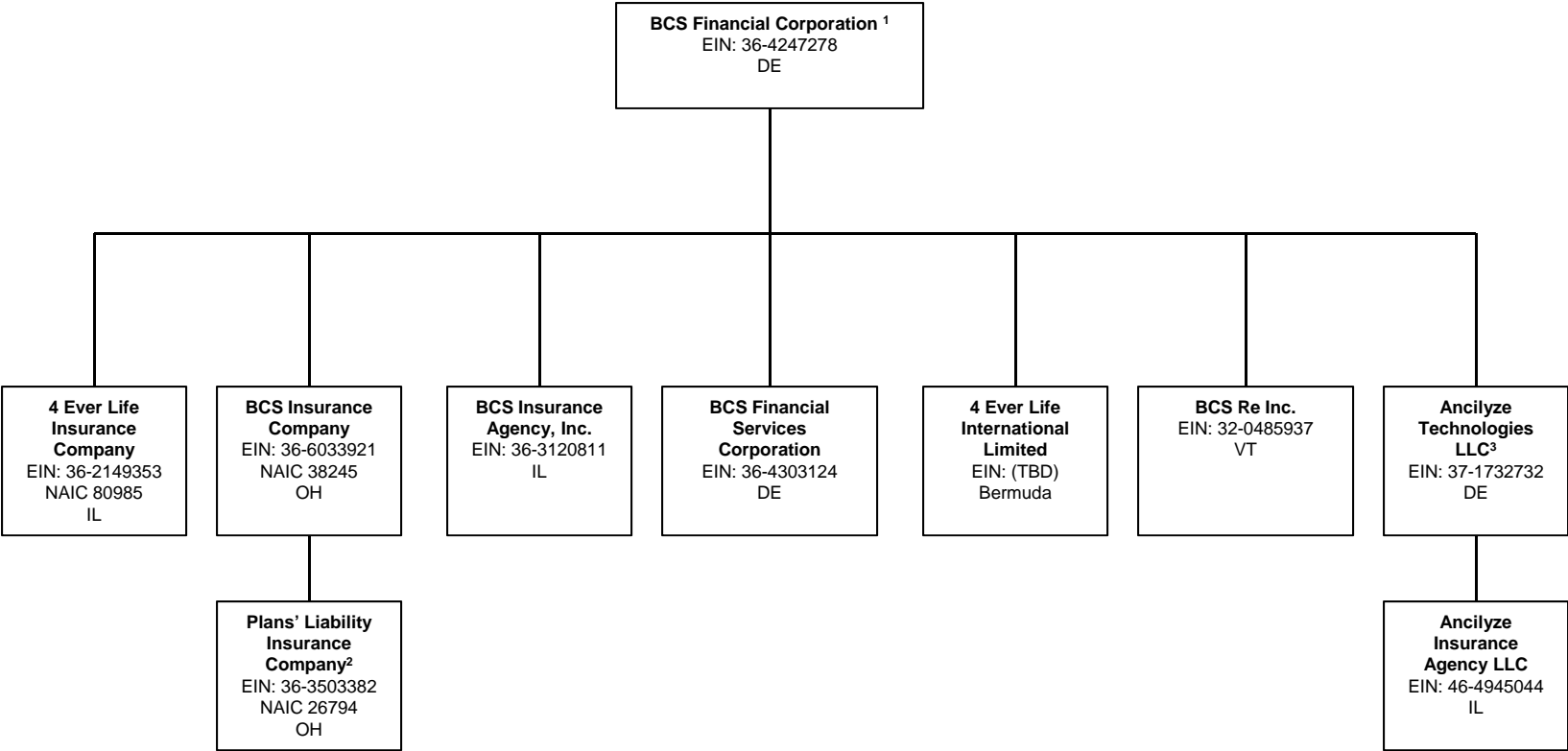
6 Florida True Health, Inc. owns a 51% stake of Community Care of Florida, LLC.

7 AmeriHealth Caritas Health Plan owns a 50% stake of Blue Cross Complete of Michigan LLC. Michigan Medicaid Holdings owns the remaining 50% stake.



A nonprofit corporation and independent licensee  
of the Blue Cross and Blue Shield Association

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



1 Blue Cross Blue Shield of Michigan owns 9.66% of BCS Financial Corporation  
Accident Fund Insurance Company of America owns 3.41% of BCS Financial Corporation  
2 BCS Financial Corporation owns a 6.64% of Plans' Liability Insurance Company  
3 BCS Financial Corporation owns 50% of Ancilyze Technologies LLC

All entities that do not reflect a particular state name or abbreviation are domiciled in Michigan.

2017 ALPHABETICAL INDEX  
HEALTH ANNUAL STATEMENT BLANK

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